

**NOMINATION OF HONORABLE SYLVIA
MATHEWS BURWELL, OF WEST VIR-
GINIA, TO BE DIRECTOR OF THE OF-
FICE OF MANAGEMENT AND BUDGET**

HEARING
BEFORE THE
COMMITTEE ON THE BUDGET
UNITED STATES SENATE
ONE HUNDRED THIRTEENTH CONGRESS
FIRST SESSION

**April 10, 2013—NOMINATION OF HONORABLE SYLVIA MATHEWS
BURWELL, OF WEST VIRGINIA, TO BE DIRECTOR OF THE OFFICE
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THE NOMINATION OF THE HONORABLE SYLVIA MATHEWS BURWELL, OF WEST VIRGINIA, TO BE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

WEDNESDAY, APRIL 10, 2013

UNITED STATES SENATE,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The Committee met, pursuant to notice, at 10:31 a.m., in Room SD-608, Dirksen Senate Office Building, Hon. Patty Murray, Chairman of the Committee, presiding.

Present: Senators Murray, Sanders, Whitehouse, Warner, Merkley, Kaine, King, Sessions, Grassley, Crapo, Portman, Johnson, and Ayotte.

Staff Present: Evan T. Schatz, Majority Staff Director; and Marcus Peacock, Minority Staff Director.

OPENING STATEMENT OF CHAIRMAN MURRAY

Chairman MURRAY. Good morning. This hearing will come to order. I want to thank my Ranking Member, Senator Sessions, and all of our colleagues for joining us here today, as well as members of the public who are here or watching online.

Today we are considering President Obama's nomination of Sylvia Mathews Burwell to be the next Director of the Office of Management and Budget.

Sylvia, thank you so much for joining us here today.

I also want to welcome your husband, Stephen Burwell, and your sister, Stephanie O'Keefe, who I understand are with you today. Welcome to both of you.

As everyone in this room knows, those of us in public service could not do our jobs without the support of our families. So we really appreciate your being here and all you do, and I want to recognize that at the top.

I also want to recognize Jeff Zients this morning for his outstanding service as Acting Director of OMB. Jeff's leadership at OMB has been instrumental during a critical time for our country. As Acting Director, Jeff has helped us tackle some of our most pressing fiscal issues over the past few years, and we have been very fortunate to have his skilled leadership, and I want to thank him again for his service. And, of course, we will hear from him tomorrow in this Committee on the President's 2014 budget.

As we all know, our country faces serious fiscal and economic challenges that we need to work together to address.

Right now the economy is recovering, but far too slowly. Millions of workers are still looking for too few jobs. Millions of families are still worrying about staying in their homes or putting food on the table.

And we have serious long-term deficit and debt challenges that we need to tackle since we certainly do not want to leave our children and grandchildren with a pile of unmanageable bills.

And the American people are, of course, sick and tired of the gridlock that has paralyzed the budget process here in Washington, D.C. So they are looking to us to end the constant artificial crises and political brinkmanship that is threatening our fragile economic recovery. And they want us to come together around fair solutions that work for the middle class, help our economy grow, and tackle our deficit and debt responsibly.

That is why I am proud of the work we did here in this Budget Committee and on the Senate floor last month to write, debate, and pass a responsible budget plan that puts economic growth and the middle class first.

The Senate budget that we passed invests in jobs and economic growth, tackles our deficit and debt fairly and responsibly with an equal mix of spending cuts and new revenue from the wealthiest Americans, and it keeps the promises we have made to our seniors, our veterans, our families, and our communities. But passage of our budget is not the end of the discussion. The work needs to continue until we get the balanced and bipartisan deal the American people expect and deserve.

That is why now, more than ever, it is so important that we continue to have strong leadership at the Office of Budget Management, which is why I am very pleased that we are here today and have a very qualified and exceptional nominee in Sylvia Burwell.

Sylvia knows what it means to invest in job creation in the short term while working to put our country on a strong path to responsible and sustainable deficit and debt reduction over the medium and long term.

In the 1990s, she was a critical part of President Clinton's economic team, serving as Deputy Director of the Office of Management and Budget, Deputy Chief of Staff to the President, and Chief of Staff to the Secretary of the Treasury.

During her tenure in the Clinton administration, we saw broad-based economic growth and responsible budgets that worked for our middle class. As Deputy Director of OMB in the late 1990s, Sylvia helped preside over three of the four budget surpluses experienced in a row.

Businesses saw Government taking a credible and sustainable approach to our Federal budget, and it gave them the confidence to hire new workers and invest in their growth. Middle-class workers were getting better jobs, spending their money, and building prosperity.

This economic growth, built from the middle out, along with the balanced and responsible fiscal stewardship, turned our deficit and debt challenges around then. Federal revenue increased from 17.5 percent of GDP to 20.6 percent. At the same time, responsible spending cuts lowered Federal spending by almost four percentage

points. And as a result, a 4.7-percent deficit was turned into a 2.4-percent surplus in 8 years.

The lessons of the 1990s are vital to the discussions we are having today about our budget and our economy. So I believe that Sylvia's experience working on a balanced, responsible approach to deficit reduction will bring important knowledge and a key perspective to OMB.

Following her work in the Clinton administration, Sylvia continued her public service by leading major organizations in the non-profit and foundation world.

At the Gates Foundation, she served as the president of the Global Development Program and chief operating officer, working to expand their global efforts to improve the lives of others across the world.

Most recently, as president of the Walmart Foundation, Sylvia has continued to create a positive impact on our communities, focusing on critical issues such as hunger relief and women's economic empowerment.

Sylvia's experience managing billion-dollar global budgets, combined with her leadership on domestic fiscal policy in the 1990s, make her a uniquely qualified candidate to lead OMB and to help shape our country's economic future.

And not only does Sylvia's professional experience make her a strong nominee for this position; she also brings an important personal outlook to the job. Raised in West Virginia as the granddaughter of Greek immigrants, Sylvia grew up with the values of hard work and the promise of American opportunity.

She has seen firsthand that budgets are not just about abstract numbers and the partisan back-and-forth that too often dominates the conversation. She knows they are reflections of our values and our priorities, and they are about our families across the country whose lives and futures are impacted by the decisions that we make.

There are tough challenges before Sylvia and all of us here on the Budget Committee.

I have had the opportunity to sit down personally with Sylvia and to discuss the approach she will take to these important issues. And I am confident that she possesses the kind of experience, integrity, and expertise necessary to succeed in this position, and that she will work to tackle our debt and deficit issues in a balanced way, by prioritizing fairness, opportunity, and a return to the responsible fiscal and economic policies that have worked for our country before.

Especially during these difficult economic times, it is critical that we continue having strong and consistent leadership at OMB. The Committee's Ranking Member, Senator Sessions, and I agree that it is time to return to a pattern of stability and continuity with regard to our budget process.

The Senate budget we passed last month was a key step towards that. And Senator Sessions and I agree that confirming a permanent Director of OMB is another important part of this effort. So I hope that we can move quickly as a Committee on this nomination since we cannot continue to have uncertainty in this position. And I hope to schedule a Committee vote, for the information of

our Senators, on this nomination soon so that the full Senate can confirm the nominee in a timely manner.

Senator Manchin will be joining us in just a moment, and he will introduce Sylvia. I look forward to asking you some questions. And before we do that, I am going to turn to Senator Sessions, my Ranking Member, for his comments.

OPENING STATEMENT OF SENATOR SESSIONS

Senator SESSIONS. Thank you, Madam Chairman, and this is the third time during the President's administration that we have been called upon to advise and consent on a nominee to be the Director of the Office of Management and Budget. The primary responsibility of OMB is to assist the President in overseeing the preparation of the Federal budget. The office is supposed to help the President formulate his spending plan by evaluating the effectiveness of agency programs, policies, and procedures in order to set funding priorities.

Notwithstanding this, one of the first actions of this administration was to eliminate the Program Assessment Rating Tool, the PART program, designed to evaluate the effectiveness of agency programs. I have to say drafted and the architect of that is Marcus Peacock, my chief Staff Director here on the Committee. It was a good program. I think it was the right thing to do.

Ms. Burwell will be called upon to right the ship, the financial ship of state. The previous Directors have not submitted timely or responsible budgets. Indeed, we are going to receive the President's budget today, which was due, according to Federal law, by the first Monday in February. The budget is over 2 months overdue.

By all accounts, Ms. Burwell is well liked, an able leader with a commitment to public service. She brings some relevant experience to the task, having previously served as Deputy Director of OMB, and has other budgetary experience as the Chief of Staff to the Secretary of the Treasury and the Staff Director for the National Economic Council.

But her most recent experience has been in the charitable sector with the Walmart and Bill and Melinda Gates Foundations. So it has been more than a decade since she has been at OMB.

The Director of OMB is one of the most crucial positions in our Government. There is just no doubt about it. In addition to preparing the budget, the OMB Director must evaluate program effectiveness throughout the Government, set priorities, represent the President, and have the strength to say no to agency demands that just cannot be met. The Director needs to protect the taxpayers.

We would normally look for someone with a proven record, perhaps like a Governor who has managed a State and balanced a budget. But Ms. Burwell will have that opportunity to prove that she is up to that task.

But make no mistake. It is a tough job. The OMB Director must be able to say no.

I believe the next Director should be committed to offering a balanced budget. The national debt is currently \$16.7 trillion and growing every week, every month. This is an unsustainable debt course. The actions of the new Director will reflect whether deficits

matter for this administration. We will tell immediately by seeing the budget.

Will the next Director lead or take the path of former Director Jack Lew? Mr. Lew said of his 2011 budget, "Our budget will get us over the next several years to the point where we can look the American people in the eye and say we are not adding to the debt anymore, and we are spending money we have each year. And then we can work on bringing down our national debt."

That was not accurate. It just was not true.

We must have honesty in the OMB Director. Mr. Lew's—Senator Manchin, it is great to have you.

Senator MANCHIN. It is always get to be here.

Senator SESSIONS. And we are glad to have West Virginia values before us today in full force.

Mr. Lew's budget that he submitted never had a single year with less than \$600 billion in deficit. So it came nowhere close to what he indicated to the American people his budget would do.

The American people must be given the truth about our financial situation. You cannot ask them to make changes and make tough decisions if they do not know what the real facts are. You must not repeat that performance. You and I have talked about it.

Will the next Director take the view of liberal economist Paul Krugman, who has indicated that even wasteful spending is good? This is what he said recently: "Whether it is entitlements or not, even if it is defense, even if it is wasteful spending, it is going to hurt the economy if you cut it right now. It does not mean we should not look for ways to cure waste, but now to a large effect, spending is spending." In other words, spending is good even if it is borrowed, even if it is on a wasteful program. That is not the correct view.

Just yesterday, the Government Accountability Office released its third annual report highlighting extensive duplication and overlap in hundreds of Federal programs. In the last two reports, GAO has identified more than 1,300 overlapping programs, costing the taxpayers more than \$365 billion each year. This widespread duplication is costing hundreds of billions of dollars in excess Government spending. It can be eliminated. It must be eliminated.

The taxpayers of this country deserve a Government that is lean, efficient, and productive. The Nation will benefit from such a Government. But, unfortunately, this administration seems to be more inclined to spend, more inclined to follow the Krugman approach. I hope that will change.

Finally, it has become clear that our debt level is already pulling down economic growth and job creation. The Rogoff-Reinhart report that dealt with the threshold level of 90 percent of GDP is pretty well known in this Committee. But the International Monetary Fund, the European Central Bank, and the Bank for International Settlements have also done studies that indicate the debt level of the United States today is already above the level at which it begins to slow growth. We have to understand that. The recent job numbers, the recent fourth quarter sad growth numbers are indicative that we are not growing at the level we need to. I am more and more convinced, as these studies indicate, that the already

high debt level is pulling down economic growth, curtailing job creation, and we have to get off that path.

So this is an important hearing, Madam Chair. I look forward to asking Ms. Burwell her views on the state of the Nation's financial condition and her plans for helping us fix it.

Chairman MURRAY. Thank you very much, Senator sessions.

And, with that, we are delighted to have Senator Manchin join us today to introduce Ms. Burwell. He knows that she is a native West Virginian and shares the values that I think are so important to him and to the country. So, Senator Manchin, thank you.

STATEMENT OF THE HONORABLE JOE MANCHIN III, A UNITED STATES SENATOR FROM THE STATE OF WEST VIRGINIA

Senator MANCHIN. Madam Chairman, thank you so much. I am sorry for my tardiness, but it definitely is important for me to be here with my dear friend.

Sylvia Mathews Burwell to your Committee is going to be someone that you are going to enjoy working with, I know. She is a great American. She is a great West Virginian from the great town of Hinton, West Virginia, in Summers County, a little town in the foothills of beautiful New River that flows through Hinton Reservoir. And she is going to make just a great Director of the Office of Management and Budget.

I am proud to support Sylvia's nomination for this prestigious position, one in which she will be responsible for managing our Federal spending as we make the tough decisions to put our fiscal house in order. She will be a great partner in that effort with each and every one of you.

Sylvia and her family reflect the heart and soul of West Virginia, a State where people are defined by their deeds as much as their words. This lady is grounded. She understands where she comes from. She understands who she is.

It does not surprise any of us who know the Mathews family count them among our dearest friends. Her parents are truly my friends. They are community leaders in Hinton. For over half a century, her father, Dr. William Mathews, is a long-time optometrist and a leading proponent of his wife, Cleo, which is her mother, who is our town mayor. And she was also head of the State Board of Education for two terms. So this lady's DNA is rooted deep with public service. Not only did Cleo serve as our mayor of Hinton; she spent 8 years on the State Board, two as the president of the State Board of Education. She was on the Development Board, served as vice president of the National Association of State Boards of Education. She served on the Board of Directors of the West Virginia Municipal League, and it goes on and on.

Indeed, Sylvia has traveled the world over, but she has never lost touch with her West Virginia roots. She went off to Harvard and was a Rhodes Scholar. But no matter where she is, one day each week of her life, each week since she has left West Virginia, like clockwork, she is on the phone with two of her best friends that she made in the first grade in Hinton, West Virginia. That tells you that she is grounded, and they are here, right? There we go.

I would hope that you would give Sylvia's resume a quick glance, and you can see that she could earn a fortune in the corporate

world if she wanted to. But instead she has spent her life helping people all over the world.

I share the beaming pride that her parents and her husband, Stephen, have in her life and in her life's work. As many of you know, Sylvia dedicated the last 11 years to serving the greater good, helping the least fortunate among us both in the United States and throughout the world as a visionary leader with the Bill and Melinda Gates Foundation and more recently with the Walmart Foundation.

She served as chief operating officer and executive director at the Gates Foundation from its inception in 2001 until 2006 at which point it was firmly established as a global philanthropy leader.

Sylvia then transitioned to the Gates Foundation Global Development Program where she served as president until 2012 and led the foundation's \$725 million annual effort to improve the lives of more than 200 million people worldwide. Under her leadership, the foundation broke new ground in pursuing sustainable investments in agricultural development, low-income financial services, water and sanitation, global literacy, emergency relief, and poverty alleviation.

Finally, as president of the Walmart Foundation throughout 2012, she led the company's charitable giving efforts and the Global Women's Economic Empowerment Initiative.

While her philanthropic achievements speak great volumes about her character, we should remember that she is no stranger to Washington or the Office of Management and Budget. She served as Deputy Director of the OMB from 1998 to 2001, our last era of fiscal responsibility, when balanced deficit reduction gave us balanced Federal budgets. We all know that Sylvia was a key part of the Clinton White House team that reached across the aisle and negotiated those balanced budgets with the Republican Congress. This experience as a problem solver and a bridge builder is in high demand these days. We should take to heart the advice Clinton White House Chief of Staff Erskine Bowles gave her: "You attract more bees with honey."

Of course, the 6 years she had previously spent in the Clinton administration prepared her well for those tough negotiations. Assistant to the President, Deputy Chief of Staff, Deputy Chief of Staff to the Treasury Secretary, Staff Director for the National Economic Council, and Special Assistant to the head of the National Economic Council, Sylvia Mathews Burwell is uniquely qualified to serve as the Director of the Office of Management and Budget. Not only is she an expert on budgetary and domestic policies, but she also has a proven record of working in a bipartisan way to produce meaningful and enduring results. She understands that a bipartisan solution is a lasting solution.

Madam Chairwoman, I can only say this about Sylvia: She understands the value of a dollar. Where we come from, we have to stretch that dollar as far as we can, and I implore all of my friends on both sides of the aisle to truly accept this wonderful lady who is as grounded as any grounded West Virginian or American that I know to do the job that she will do for this great country. I present to you Sylvia Mathews Burwell.

Chairman MURRAY. Thank you very much, Senator Manchin, for that very gracious statement, and I appreciate your participating today. I know you have a very busy schedule.

Senator MANCHIN. I am so sorry.

Chairman MURRAY. Not a problem if you need to go ahead and leave. That is all right. We will go ahead and work through our questions with her. But thank you very, very much for that.

Senator MANCHIN. Thank you.

Senator SESSIONS. Thank you, Senator Manchin. We value your opinion.

Senator MANCHIN. Thank you, sir. I appreciate it.

Chairman MURRAY. Under the rules of the Committee, we are now required to testify under oath, so, Ms. Burwell, if you want to rise so I can administer the oath. Do you swear the testimony that you will give to the Senate Budget Committee will be the truth, the whole truth, and nothing but the truth?

Ms. BURWELL. I do.

Chairman MURRAY. If asked to do so and if given reasonable notice, will you agree to appear before this Committee in the future and answer any questions that members of this Committee might have?

Ms. BURWELL. I will.

Chairman MURRAY. Please be seated.

We will now have a chance to hear from Ms. Burwell, and, again, thank you so much for being here, to you and your family. Senator Manchin?

Senator MANCHIN. If I could say one thing, I also have a statement from Senator Rockefeller. As you know, we both totally are in agreement and extreme support, so I want to also present for the record his statement.

Chairman MURRAY. Absolutely. We will include that in the record as well.

Senator MANCHIN. Thank you.

Chairman MURRAY. Thank you very much.

Chairman MURRAY. With that, Ms. Burwell, it is a delight to have you here. I am glad you have your support team of your family and best friends. Go ahead and proceed with your testimony.

**TESTIMONY OF THE HONORABLE SYLVIA MATHEWS
BURWELL, OF WEST VIRGINIA, TO BE DIRECTOR, OFFICE OF
MANAGEMENT AND BUDGET**

Ms. BURWELL. Thank you, Chairman Murray and Ranking Member Sessions and the members of the Committee, for welcoming me today. It is a privilege to be considered by this Committee as the President's nominee to be Director of the Office of Management and Budget.

I want to thank Senator Manchin for his gracious and kind introduction and, as a West Virginian, thank him for his service both here and in our State when he was Governor. I feel very privileged to actually know both of my Senators for an extended period of time, so it is a great privilege to be introduced by both of them.

And I am pleased that my family could join me today: my husband, Stephen, and my sister, Stephanie. Our 5-year-old Helene and our 3-year-old Matthew thought that the park was a better op-

tion than listening to Mommy answer questions, so they are not with us today. I understand the sacrifices entailed by public service, and I recognize that the biggest burden falls on one's family members. So I deeply appreciate their support as I seek to take on this new challenge.

I am also grateful to President Obama for nominating me to serve in this position as the Director of the Office of Management and Budget. It is an honor to be considered for this position at this important time.

Finally, I want to thank the members of this Committee and their staffs for making the time to meet with me over the last few weeks and for sharing your insights. For those of you that we have not had the opportunity to meet with face to face, I look forward to that. And if I am confirmed, I very much look forward to continuing our conversations that we have started.

I believe in the greatness of our Nation. As a second-generation Greek American, my family and I have benefitted greatly by the opportunities this country has to offer.

Our Nation has made important progress over the last 4 years. We pulled out of a deep economic downturn. Our financial markets have stabilized. Businesses are hiring again. And we have begun the very long journey to put our fiscal house in order.

The President and the Congress together have made progress on the deficit, but there is much more to do. And we need to focus on making our economy work for middle-class families and American business, in both the short and the long term.

If I am confirmed, my primary focus will be to contribute to achieving balanced deficit reduction, increased efficiency and effectiveness in how our Government works, and targeted investments that grow the economy and create jobs for the American people.

The President is actively engaged with Members of Congress on this subject. And if I am confirmed, I will do everything in my power to keep this dialogue going and to continue to build on the relationships between the administration and the members on both sides of the aisle.

From my experience in the Clinton administration—at OMB, the White House, and the Treasury Department—I learned the importance of working together in a bipartisan fashion to get things done. I saw firsthand how the deficit reduction agreements of the late 1990s were reached. I know that when we all come to the table, we come with firm convictions and the belief that we know the right answer. We also, though, come with the same conviction to serve the American people, which I hope will drive us to find common ground to move the country forward.

There is no question that the road ahead will be difficult. The challenges we face are sobering. But I am confident we can come together on a comprehensive plan.

I am pleased with the prospect of returning to OMB. I have tremendous respect for the institution and the incredibly talented men and women who work there. I am hopeful that, if I am confirmed, I can contribute to ensuring OMB is a place where talented people want to go and that the institution is strong for other administrations. Although OMB is most well known for its work on the Federal budget, the management side of OMB is critical as well.

In the current fiscal environment, it is more important than ever that we are operating the Government in the most efficient and effective manner.

I want to credit Acting Director Zients for his strong leadership in these areas. If I am confirmed, I want to work to build on those efforts and the success and to continue to increase the efficiency and effectiveness of taxpayer dollars. By governing smartly and being good stewards, we can reduce the deficit and increase the value of what that we deliver.

As someone who has been out of Government now for 12 years, I am hopeful that I can bring a fresh perspective to the fiscal debates underway. From my positions at the Walmart Foundation and the Bill and Melinda Gates Foundation, I have seen the important role that both Government and the private sector play in the lives of the American people.

If I am confirmed, it would be an honor to dedicate myself to using the tools at OMB to ensuring that our Government delivers for the American people.

Again, I want to thank the President for giving me this opportunity and the Committee for considering my nomination. I look forward to answering the questions that you may have.

Chairman MURRAY. Thank you very much.

Let me begin. Ms. Burwell, you previously served as Deputy Director of OMB for 3 years. Correct?

Ms. BURWELL. Two.

Chairman MURRAY. Two years. And before that, you were Chief of Staff to Secretary Rubin at Treasury as well as Deputy to White House Chief of Staff Erskine Bowles, two people who are well known and respected by this Committee. Correct?

Ms. BURWELL. That is correct.

Chairman MURRAY. Okay. And following your time at OMB, you continued working in similar financial and management roles for some of the largest philanthropic institutions in the world. Right?

Ms. BURWELL. Yes.

Chairman MURRAY. While very different from your Federal service, I expect you experienced similar challenges at those large non-profit institutions regarding how best to fulfill core missions given scarce resources, competing demands, and diverse workforces. Correct?

Ms. BURWELL. That is correct.

Chairman MURRAY. And now you are returning somewhat full circle back to Government service and facing and political and budgetary climate that is pretty different than the one you left 12 years ago.

So I wanted to offer you the opportunity this morning to really comment on the challenges and the opportunities that you see today and to tell this Committee how you view your extensive experience in the Federal and nonprofit sectors as helping you meet those challenges.

Ms. BURWELL. Thank you, Chairman Murray.

In terms of the challenges, I think I spoke to those a little bit in my statement. I think we have challenges with regard to making sure that the current economic recovery gets on its way and continues for the American people. When I think about the role of

OMB Director, I start at the end and start with the people in Hinton, start with the American people. That is the end, and that is where our outcome is. Often in philanthropy you talk about measurement, and you talk about outputs and outcome. The outcome is what we do for the American people, and that is why we think about the budget. That is why we think about any of the things that we are working on. It is about an outcome.

And I think the challenge is to make sure that we are producing the best outcome in terms of a healthy economy for working Americans and American business. And I think right now that is a particular challenge for a number of reasons. It is a particular challenge because we have a very large hole. We are in a place where we have—as was reflected in comments, we have a large deficit, and we have a large debt. And to work our way out of that is a very important thing.

At the same time, we have recovery that is starting, and that is something that we have to consider so that we make sure we can stay on the path that we are currently on, where there is actually job creation for Americans who want to work, and have the ability. The last part that I think is a challenge in terms of your question is thinking through the issues that we are responsible for the investments now in both the short and long term that will keep this economy healthy and be able to deliver on commitments we have made as a Nation. I think those are three extremely large challenges.

With regard to my experience, I would say there are a number of things. First, working in philanthropy—and this gets back to a comment that Senator Sessions made—most of my days are filled with no. There are many more noes than yeses, actually, when one works in philanthropy. And so that is an experience that I have on a daily basis. And being able to say no in ways that are respectful, you can imagine the many great things that I see every day that people want to fund, and there are great things, but doing it in a respectful way. So the ability to say no.

The other things that I think my experience over the last years since I was in Government helped with is how I think about problem solving and focus. I think about things like strategy, structure, people in terms of that framing. I think about the importance of measurement and focusing deeply on impact. And the other thing that I think I have learned a tremendous amount about in the last 12 years is the importance of culture of an institution and culture that a leader sets in terms of as a leader it is very important that you set the tone at the top.

So those are some of the elements that I hope I would bring if I am confirmed.

Chairman MURRAY. I am assuming being the mother of two small children, the ability to say no in a good way is also part of your life.

Ms. BURWELL. It is. As my husband and I experienced this morning.

[Laughter.]

Chairman MURRAY. All right. Well, one area that you and I talked about when we visited was the importance of re-establishing regular order. It is something Senator Sessions and I have really

focused on together. We did our part here last month by passing a budget on time through the Senate, and I know from our discussions you have similar concerns regarding the current overreliance on budgeting by crisis.

Can you talk a little bit about the importance of regular order and the role that it had in creating some of the successes that we had in the 1990s?

Ms. BURWELL. Yes, Senator. Thank you. I think that regular order was an important part of the process, because I think the order that has been set up, the processes that the Congress follows and that the executive branch follows—and I will start by saying you have my commitment to do everything in my power to deliver a budget on time, which is a part of regular order. And so in terms of what I can do to do that, that is something I would start with.

But in terms of how the regular order helps the process, the regular order is about bringing people together to prioritize. I think that is one of the most difficult things that we all need to do, and especially in difficult budget times, is that prioritization. And it first starts in the process of this Committee and what this Committee does to set the major pieces to guide the appropriations process so that it can do its next level of prioritization. And so that we afford both the expertise of the Committees and the experience of the Committees to apply and use that order to do that prioritization. And I think those were important parts of what contributed to a process that afforded us the opportunity to get to agreements during that time.

Chairman MURRAY. And I assume getting a permanent OMB Director is part of that regular order as well.

Ms. BURWELL. Yes, I think it is a part of the regular order.

Chairman MURRAY. Okay. Before I turn it over to Senator Sessions, I just wanted to clarify one thing. I know the President's budget is coming out today, sometime here shortly if it is not out, and I know a lot of our members are really interested in the details. For the record, I want to make it clear, Ms. Burwell, you were not involved in developing the President's 2014 budget submission. Is that an accurate statement?

Ms. BURWELL. That is an accurate statement. This process has been different than the last time when I came through the process to be Deputy Director. At that point I was in Government, so I was in a very different position. At this point I am a private citizen and so have not been privy to the conversations or the budget itself. So my knowledge is limited to whatever knowledge everyone has from a public perspective.

Chairman MURRAY. Okay. I appreciate that, and I would remind all of our Committee members that Acting Director Jeff Zients will be here tomorrow to discuss the President's budget, so we will have a great opportunity then to ask questions on that side.

Thank you very much, Ms. Burwell, and I will turn it over to Senator Sessions.

Senator SESSIONS. Thank you, Madam Chair. I believe we were in a position to move forward with this nomination, you know, rapidly. I do not know of any problems at this stage. If something develops, we will raise that with you, Madam Chair, but we would be cooperative in moving forward to a vote.

At this point I would yield to Senator Grassley, who has a scheduling difficulty, and I will allow him to take my slot for questions.

Senator GRASSLEY. I appreciate that very much, and I appreciate your coming to my office to have a conversation. And I feel that you probably will have smooth riding unless something happens here all of a sudden that we do not know about.

You have already answered one of my questions, but I still want to go back to it, and it was a question that the Chairwoman asked about delivering a budget on time. So, obviously, you said—you have expressed it as a concern of yours, and you said you do want to improve and deliver a budget on time. Considering the fact that—and I was going to start out with this statistic. It is not just the recent budget, but we have budgets for February, we have a mid-session review, and we have a financial report at the end of the year. And all of these deadlines, out of the last 15, 14 of them have been missed.

So do you really think that you can improve upon that? I hope you can, but, I mean, I am challenging you.

Ms. BURWELL. Senator, I think that I can improve. One of the things that I will do when I get into the organization is to understand which ones I can influence on which timetable. As you know, some of these processes are in train, so you mentioned the mid-session and that, of course, is on my mind as I think about it and even as the budget is coming out today, I was thinking about the mid-session.

I do not know what processes are in train and that sort of thing, but I think that I can over time influence it. The immediacy of my influence when I come in is something that is fair to ask the question. But over the long term, yes, I think I can, and that is something that I believe is an important part of putting together plans and approaches to trying to meet these deadlines.

Senator GRASSLEY. Okay. I want to go to kind of the management aspect of your—but it also comes from a budget decision that we made, and that is sequester. It is my understanding that the office now had put out 3 or 4 months ago, in anticipation of sequester, memos that there needs to be a priority for national defense, law enforcement, health, and safety. So you get these oddities about meat-packing plants going to shut down, which obviously deals with health or safety, because of sequester. Or you are going to lay off 700 FBI agents or furlough them because of sequester.

It seems to me those things come in the area of law enforcement and health and safety, so what power do you have over these agencies following your recommendations that these things ought to have priority? Because it seems to me there are a lot of things in these departments that ought to be sequestered before furloughing FBI agents or shutting down meat-packing plants?

Ms. BURWELL. Senator, if confirmed, I think one of the first things I would do is try and understand and work with the departments to understand how they have thought about the prioritization. I think you articulate the part that I do know, which is departments were told to prioritize mission, and you articulated some specific missions in terms of that. And what I would do is work to understand how they are thinking about those choices as they work through that.

I think the budget process itself, as we start to think about the next year—because OMB will already start to think about the next year—will be an important process for how I will engage and the entire Office of Management and Budget will engage with departments as they think about that prioritization.

Senator GRASSLEY. Does your office, though, have the power to enforce those priorities or not? I mean, that is what the law says, not what you might want to do or not do.

Ms. BURWELL. In terms of the enforcement of sequestration and exactly how it is implemented, I am going to say I will have to check exactly who sits with the authority. But I think what one wants to get to a place where we are all working towards the same objectives of making sure we are protecting as much of the mission as we can and go about doing that in the right way.

Senator GRASSLEY. The next question I ask because of a statement that Gene Sperling made. Can you really raise \$1 trillion in new taxes without hitting the middle class? And he said that you would not be able to raise that amount of money without harming the middle class.

Ms. BURWELL. I think that right now when I think about the question, the broad question of revenues and where we are in the revenue space, and when I think about ATRA and the work that was done in ATRA in terms of \$620 billion and I understand perhaps it was not everyone's first choice, and I think that is part of compromise—that there was an ability to do that. And so I think we are talking about at this point, as was articulated and what is public—and I understand the fiscal cliff portion—is another 580 billion. So I think the number that we are then talking about is can you find \$580 billion in the context of what we would think about is wasteful spending, loopholes, things that people agree that people should not have certain of these advantages. And I think that is where you would get to that larger number.

Senator GRASSLEY. Without hurting the middle class?

Ms. BURWELL. I think you are hopeful that you can do it, and I think some of the examples that have been talked about that are public—again, as the Chairman said, I am not familiar with all the examples that will be in today's budget, but the issue of the 28 percent and what types of deductions people are able to take, and so you align that more across the board in terms of the maximum amount that many are able to take.

Chairman MURRAY. Thank you.

Senator Whitehouse?

Senator WHITEHOUSE. Thank you. I want to assure Senator Grassley that I can give him a trillion-dollar list that gets you there without hurting the middle class. I look forward to working with you on that.

Senator GRASSLEY. He did not agree with you.

Senator WHITEHOUSE. He did not see my list.

I have a couple of quick points I would like to see if I can get through in my short time. My colleagues know that I talk about health care delivery system reform all the time in this Committee. There is a bipartisan and nonpartisan agreement from lots of leading folks that the savings per year, between \$700 billion and \$1 trillion, and that you get there by improving the quality of care.

In that battle, we need OMB to be supporting HHS as they try to implement the 45 noncontroversial provisions in the Affordable Care Act that improve our health care system and lower cost, and we need you to be working with us to try to figure out better ways to fit that into our budgeting process because of the scoring dilemmas.

Will you work with us on that as a priority?

Ms. BURWELL. Senator, as the Director of OMB, it is one of the responsibilities to look at the scoring issues and talk about the scoring issues, whether those are specific ones or broader ones that we might discuss today.

Senator WHITEHOUSE. And to support HHS in its efforts to move that regulation forward, which takes me to my second point. OMB has in some places become the place where regulations just go to die. You are supposed to get regulations out in 120 days. EPA's draft guidance on identifying waters protected by the Clean Water Act has been sitting there 414 days, and the Chemicals of Concern List has been sitting there for 1,064 days.

There are issues I think both with delay and with transparency at OMB. Once regulations get into OMB's private chambers, who is making the tweaks? And I would like to have your assurance that you will work with us on both the delay and transparency issues.

Ms. BURWELL. Yes, sir, if confirmed, I will.

Senator WHITEHOUSE. Regulatory capture is a very well known phenomenon. I think that OMB is well suited to be a place that sounds the alarm where it looks like there might be instances of regulatory capture in the Federal Government. Clearly, at Minerals Management within the Department of Interior, at the SEC, and Mine Safety, we have seen episodes that sure look a lot like regulatory capture by the regulated industry, and I hope that we can work together on finding ways that OMB can take a more active role in looking for the benchmarks that should set off alarms that a regulatory body may now be the tool of the regulated industry and not serving the public interest. Would you work with us on that?

Ms. BURWELL. Yes, sir, I would. I first learned of the concept I guess in 1986, and then it was Hugh Heclo's iron triangle in my academic work many, many years ago. So a concept I learned about from an academic perspective many years ago, and having served in Government, understanding it, would look for the opportunity to think about that.

Senator WHITEHOUSE. A great piece on that not too long ago in the editorial page of the Wall Street Journal. It is a bipartisan concern.

And the last thing is on cyber. As a former United States Attorney, I can assure you that trying to make cases, criminal cases, in cyberspace is an extremely complicated, difficult, and expensive proposition. The result is that for all that we have heard about the raiding by China of our corporate intellectual property through the cyber infrastructure, the Department of Justice has yet to bring a single pure cyber case. And in terms of cleaning up the Web from botnets, they have only brought one case, and the group disbanded after that case was done.

I think that there are resource issues behind that problem. They will not talk to me about resource issues because they are so scared of you, of OMB: "Oh, we cannot talk about anything because we are locked in with OMB."

I really need you to promise me that you will send the Justice person at OMB to sit down with me and with folks from the Department of Justice and the FBI to have a joint discussion about what the right level of support is for our prosecutors as they try to pick apart these Chinese networks that are raiding our corporations.

Ms. BURWELL. Senator, if I am confirmed, I look forward to the opportunity to having the discussion about cybersecurity and how we think about its priorities as well as its funding.

Senator WHITEHOUSE. Thank you. In my last 20 seconds, let me point out that we need to distinguish in this Committee between what is economics and what is ideology. And the theory that you can always cut your way to economic recovery is simply not economics. The IMF, Goldman Sachs, Oxford Economics, the Financial Times, numerous studies have been presented recently showing that our fiscal multiplier is now over 1, indeed well over 1, because of the State of our economy and interest rates. And the fiscal multiplier being over 1 means that Government spending or cuts actually do more good when it is money spent and more harm when it is cut than in ordinary times. There is a difference between economics and ideology. We need to reflect that in this Committee, and I thank the Chairman for the time.

Chairman MURRAY. Thank you very much.

Senator Sessions?

Senator SESSIONS. Senator Portman. I would note that Senator Portman, of course, is a former OMB Director, and I suppose he should get credit for having submitted a balanced budget. It did not pass, but he submitted one. Senator Portman?

Senator PORTMAN. Thanks for that reminder.

[Laughter.]

Senator PORTMAN. It was a few years ago. Can you imagine a balanced budget today? This was in 5 years, actually, a 5-year balanced budget. But there are tough choices to be made. There were back in 2007, and, of course, the choices are even more challenging today, so thank you for being willing to step forward, and congratulations on your nomination. I enjoyed our conversations about the job, and as I mentioned yesterday at a hearing at the Governmental Affairs Committee, your measure of success will be sort of an unusual one, which is not how popular you are but how unpopular you are among your Cabinet colleagues. And it is a hard job, but you are doing it at a historic time. And being the champion for fiscal discipline is more important than ever.

Yesterday we had a discussion that I was a little discouraged about because it was just about are you willing to follow statutory deadlines, and that had to do with the regulatory reviews that I think we need to have here in order to be smart on the regulatory front. I know Senator Grassley mentioned this, but let me give you some more data on what has happened prior to your involvement, of course. And I do expect that you will be confirmed, and as you said, you have the ability to bring a fresh perspective on this.

But no administration has a perfect record, but this is an extraordinary record. I have looked at all the reports due by OMB, 12 of the 19 reports. This includes budgets, it includes the Medicare trigger and so on. Twelve of the 19 have been late. Another six have never been issued at all. This means only one report or budget has been submitted within the time frame required by law. These are statutory.

So I do hope, without getting into a long discussion about this, that you will commit to trying to meet these statutory deadlines, because when you do not get the mid-session review on time, when you do not get the budget on time—we just did our budget. We did not have the input from the administration because you guys did not submit it—they did not submit it. Sorry. It is not you, yet. But it will be you, and you will have the opportunity.

So, again, I do not want to get into a long discussion of this, but just to raise this with my colleagues who on a bipartisan basis should want to have what Chairman Murray said at the beginning of this hearing, more stability and continuity in the budget process. We cannot have it without this information. And we are not getting it. And so I would hope that your fresh perspective will include that.

If you would like to respond briefly, I would be happy to hear from you, but I think, again, this is not asking too much.

Ms. BURWELL. Senator, as I stated at the beginning, you have my commitment that I will do everything in my power to get the budget on time, the mid-session on time, the things that I can influence as soon as I get there, as well as the reports that we discussed yesterday.

Senator PORTMAN. I would add the Medicare trigger to that. I know the administration has talked about constitutional issues. CRS, by the way, disagrees with that, as do other lawyers, so we also need help on Medicare when you hit that 45-percent level under, I think it was, the 2003 law. You know, if anything, of course, Medicare has become a much more difficult problem to deal with from a budget perspective, so we need that report as well.

In terms of fresh perspective, what do you see as the problem? What is the nature of the problem we face as a country? I will give you the CBO analysis from a few weeks ago that I know you have seen, which is that if we do not do something on the entitlement side—incredibly important programs, vital, safety nets—then they will increase by about 100 percent. This is Medicare, Medicaid, and Social Security. The health care side increases 110 percent in the next 10 years. And so the President has said he refuses to pass this problem on to another generation of Americans. That is his quote. But that is exactly what is happening. I mean, if you look at what CBO has projected, they have said that if you are going to maintain all the promised benefits, it would require eventually putting the middle class into a 63-percent tax bracket, small businesses into an 88-percent tax bracket. Obviously, this is unsustainable. You cannot catch the level of spending that CBO has projected with enough revenue.

Do you have some thoughts on that with regard to what OMB's role can be going forward in terms of looking at, again, our important but unsustainable entitlement programs, with interest on the

debt now 62 percent of the budget, the fastest growing part of the budget, again, nearly a 100-percent increase over the next 10 years? What do you think OMB's role should be there?

Ms. BURWELL. I think that the role of OMB is to be a partner with the other players that play in the space, that Treasury plays as well as HHS and the entire economic chain.

I agree that the issue of mandatory spending is an essential part of what we are looking at with regard to the size and magnitude of the current deficit, and as we look at what growth occurs because of the baby-boom generation coming on, also, and health care costs as we have seen them. And how I think about that issue is that we need to have it front and center. I think we need to implement some of the savings that we knew—that were stated in the Affordable Care Act. That is a start on the process.

As I think about the issue, when I think about the mandatory side and health care, a lot of this involves health care costs. And coming back from the private sector right now, the issue of health care costs are an issue both for the Government and for our larger economy.

And so when I think about those issues, trying to find solutions, even though we might not always be able to, that actually bend the curve, because the other thing about bending the curve is the benefit is to the U.S. Government; it is also to the private sector. But usually those types of solutions often lead to greater quality, and they actually start to benefit—the benefits we will get in terms of savings will build on each other. It will be an upward spiral of savings versus just a constant. So those are some of the thoughts I have about what I consider a very important part.

I also believe it is important for us to think through how we maintain the commitments that we have made as a Nation to people who are on that verge of retiring and the most vulnerable in our country.

Senator PORTMAN. I thank you, and I think members of this Committee would agree, including those of us who want to work on prevention and wellness and other issues in health care, and it does drive it.

Just one final point to your comment about it is a big part of the problem. Look at the CBO numbers, look at your own numbers, and as a percent of GDP, the spending increase, it is the only problem. In other words, all of the increase in the debt and deficit projected going out into future years is attributable to those very important vital programs. In other words, what we are doing here in the annual appropriations is actually relatively flat. The other entitlement programs are increasing, but not at a level that necessarily catches up to the economy. You could argue and it is accurate to say that the entire increase and this huge increase in the budget deficit and debt is attributable to those three programs based on the CBO numbers. So it is not just one of the problems. It is the problem.

Thank you.

Ms. BURWELL. Thank you.

Chairman MURRAY. Thank you.

Senator Warner?

Senator WARNER. Ms. Burwell, it is good to see you again, and I look forward to working with you. I very much enjoyed our session. I actually want to pick up where my friend Senator Portman left off. I concur with him that entitlement reform has to be a piece of this debate.

I would also say that no matter what we cut or tax, we have to have a growth economy as well. And one of the things, as a former investor and business guy and somebody who did balance budgets as a Governor, I am very concerned about, for example, the proposals the House laid out that would take domestic discretionary spending from its current about 16 percent of the Federal budget down to less than 5 percent. I would never invest in a company that spent less than 5 percent of its revenues on educating its workforce, building its infrastructure, staying ahead of the competition through research and development. So I hope as well we can talk about how we have policies. The private sector will grow most of the economy, but the Government has a role as well in providing that framework.

I also think it is important as we talk about both sides of the balance sheet, both the spending side and the revenue side, that we—and I get terribly frustrated at this at times, and I want to keep our taxes as low as possible. But somehow in this debate we seem to always forget the fact that while entitlement spending continues to go up at an unsustainable rate, on the other side of the ledger, when this body made tax cuts in the 2003 time frame on a 10-year basis, we took \$4.5 trillion out of the revenue stream on a 10-year run rate. Just as entitlement spending may be unsustainable, I think that plan on the revenue side was unsustainable.

And what I sometimes find interesting is that even if you take the Senate budget, take the New Year's Eve, and combine those together on the revenue side, nobody is talking about putting all that \$4.5 trillion back into the revenue stream. Most of us on our side are not even talking about putting half of that back in. We are literally talking about returning about a third of that revenue back to the revenue stream as we make targeted cuts, as we do entitlement reform.

Again, I just want us to make sure that we have this discussion that is constantly refreshed. We have to deal with entitlements. We have to grow our economy. But we have to recognize that the revenue base—not to grow the Government but just to pay our bills, and a revenue base that—even with slimmed-down entitlement programs, with the baby boomers it is going to push up the spending as a percentage of GDP no matter almost what, that we have to have this balance on both sides.

I guess my question that will come out of this—and I want to come to the management side in a moment—is my concern is that in many ways, while we have limped through budget crisis after budget crisis, with, I think, not the comprehensive approach that we need—we have still got another \$2 trillion, roughly, to do—I feel and fear that too often we are simply redebating the deal points from June of 2011. And what I hope that you will be open to in this new role—and I know this will be not just your role, but as a leading figure in the administration—is new ideas both on the

revenue side and new ideas on the entitlement reform side that may not even be in the President's 2014 budget going forward.

Ms. BURWELL. Senator, if confirmed, I look forward to hearing about those ideas. These are hard problems, and so innovation and ideas as potential ways to help us all go forward in a way that we can agree on I think is an important thing, and I hope that you will find me always willing to listen to new ideas.

Senator WARNER. Well, thank you.

Let me move to the management side of the house, and, again, I want to echo some of the comments that were made by actually some of my colleagues on the other side, and Senator Whitehouse. One of the things we can also do is how we save money in terms of inefficiencies and duplication. One of the concerns I have, as the author of the Government Performance and Results Modernization Act, GPRA—and I appreciate this Committee's support of that—was that for the first time ever we have a requirement in place where agencies actually have to identify not only their most successful programs but their least successful programs. And, quite honestly, OMB has not been as forthcoming as we would like on that. There have been some times that have been missed. There is also supposed to be a requirement of trying to narrow down each agency's amount of goals. Anybody that has managed anything knows that if you have 50 goals, you do not really have any goals at all. This legislation required a targeting of the top three to five goals per department and agency. And we would love to see more collaboration and cooperation on implementation of GPRA.

Ms. BURWELL. With regard to GPRA, it has changed since I was here before, and the GPRA modernization legislation I think was an important change. Also, in terms of what I have been briefed on so far, we have actually seen improvements in where that is. A long way to go, but I think we have moved from a box-checking exercise to a strategic planning and prioritization. And I think this is something where one has to learn the skills, and I think hopefully if I am confirmed, as part of the leadership at OMB, that we can continue to work on it.

I think one of the most important points—and it comes back to one of the things that I mentioned in terms of lessons learned—is culture and creating a culture of this is not a box-checking exercise, this is a management tool that will help you deliver impact, and getting that to be a tool that is embraced in terms of thinking about how can I do my job better. And so that culture shift is something that I am hopeful that working with this Committee and the other Committee that I spent time with yesterday, that we can work on together to get the kind of savings and clear movement towards impact that is definable and recognizable.

Senator WARNER. My last comment, Madam Chair, is just that, you know, example, this is the GAO report that just came out yesterday on duplication. You know, this is not sexy stuff. This is hard, grind-it-out, lots and lots of focus on how we tax and spend, but the management component has to be a higher, higher priority, and I look forward to working with you.

Thank you, Madam Chair.

Chairman MURRAY. Thank you very much.
Senator Sessions?

Senator SESSIONS. I will yield to Senator Johnson.

Senator JOHNSON. Thank you, Madam Chair, and, Senator Sessions, I appreciate you yielding your time.

Ms. Burwell, again, welcome here, and I want to reiterate, as I said yesterday, I appreciate the fact you are willing to sacrifice, you and your husband. This is a big job, and I do appreciate your willingness to serve.

You mentioned in your opening comment a couple phrases that were dear to my heart: "problem solving," "management"—or "measurement" and "leadership." So let us talk about those because I think that really is the key role of OMB.

I was one of those Senators that President Obama invited to dinner, and it was interesting, as we listened to him behind closed doors, describing the problem pretty accurately. You know, it is health care spending. He talked about Medicare, particularly in the second and third decade. He made the comment that the problem with Medicare reform is for every dollar that Americans pay in, they are going to get about \$3 out in benefits. And we have been saying that. It comes from a study by the Urban Institute. He also said most Americans do not understand that, which is a problem in solving the problem. Let us talk about that.

From my standpoint—and I have solved a lot of problems in business—the first step in any 12-step program is raising your hand and admitting you have a problem. And I think right behind that is you have to properly define the problem.

So, first of all, do you agree with President Obama's assessment that the problem with Medicare is \$1 in, \$3 out?

Ms. BURWELL. I agree that the actual dollars in and dollars out, and then the next question is: What is that rooted in? Is it rooted in cost? Is it rooted in numbers? Going to the next step.

Senator JOHNSON. But, again, all I have ever heard President Obama say publicly is we just need modest reforms to Medicare. But when Medicare is a \$575 billion a year program and you have \$1 in and \$3 going out, would you agree that implies more than modest reform is going to be required to save that program, a very important program for Americans?

Ms. BURWELL. I think that very important program to Americans, what I think is important is thinking about it in terms of how do we meet the appropriate level of commitments that we have made at the same time that we address the dollar-in/dollar-out problem that you—

Senator JOHNSON. That is serious reform that is required, though, wouldn't you agree, not just modest?

Ms. BURWELL. I think that the reforms that are required, when we start looking at some of the numbers—and, again, I'll work off what I have, which is the fiscal offer. And when we see that additional \$400 billion in that health care space, I think we are starting to talk about actually large numbers. And large numbers that, if done in a way that comes back to that earlier point I made about bending the cost curve, then we can start to get even more over longer periods of time, when you start to get that kind of cost savings embedded. And so those start to become large savings.

Senator JOHNSON. Okay. Let us switch to Social Security, which is obviously an incredibly important program, and we want to do

everything we can to honor those promises. I have some charts that we are going to put up on the screen here. Are we ready with those?

This is from the Social Security Administration. I hope you would acknowledge—these are accurate—that over the next 20 years basically Social Security will run a cash deficit of \$5.1 trillion. Now, I have certainly made the point publicly that I do not believe this is a sustainable—first of all, a solvent program. The only reason anybody can claim that is the fiction of the Social Security Trust Fund.

It is true that we ran the surpluses, accumulated more than \$2.5 trillion, but the problem is the Social Security Trust Fund holds an asset called U.S. Treasury bonds, which in the hands of the Federal Government really has no value. It is the same thing as if you had \$20, spent it, and that money is spent, it is gone, wrote yourself a pretty note, said \$20 stuffed in your pocket and say, “Hey, I got 20 bucks.” You do not. You just have a piece of paper that you have to basically offer somebody else and entice them to give you \$20 in exchange for that promissory note. I mean, would you acknowledge that point?

Ms. BURWELL. Senator, when I think about the trust fund and those commitments, I do think about those commitments in the context of the commitments that we actually make in the public markets. And I also think about it in terms of harkening back to the years when I had the opportunity to work on balanced budgets, that there was the creation of something called the Social Security lockbox. And so while those—

Senator JOHNSON. Let me just say, do you think that has value to the Federal Government? Do you believe the trust fund has value to the Federal Government, that it can actually pay out and meet that \$5.1 trillion deficit?

Ms. BURWELL. What I think it has is value to the trust fund and the ability that there is a commitment that we will pay.

Senator JOHNSON. Okay. So let us go to the next couple slides here. This comes from the Office of Management and Budget’s 2010 Analytical Perspective. Will you put the next one up here? Let me—the next slide. Anytime.

We have a technical problem here. Okay. Let me paraphrase. These balances, referring to the trust fund, are available for future benefit, but only in a bookkeeping sense. They are not assets of the Government as a whole that can be drawn down to fund future benefits. It goes on to say basically there are claims on the Treasury.

So, in general, when you are talking about a consolidated statement, you have the Social Security Trust Fund, it holds \$2.5, \$2.6 trillion worth of bonds; but, on the other hand, you have the U.S. Treasury Department that has the liability. So you have an asset on one hand, liability on the other, and the Office of Management and Budget, when you consolidate those statements, claims that nets to zero.

So my point is, as the Director of the Office of Management and Budget, would you acknowledge that to the Federal Government the Social Security Trust Fund has no value in terms of paying off that \$5.1 trillion of deficit spending over the next 20 years?

Ms. BURWELL. But as we consider our deficit numbers, these commitments are in the consideration as we think about our long-term—

Senator JOHNSON. Does it have any value, is there any value drawn out of that Social Security Trust Fund to fund the \$5.1 trillion worth of promised benefits? Do you believe that has any value to the Federal Government? Are you disputing what OMB has basically published here?

Ms. BURWELL. What I do believe is it has value in terms of the trust and how we think about the trust. The first chart I think did not—

Senator JOHNSON. It has no dollar value. There are no dollars there; there is nothing of value to pay those benefits. Isn't that correct?

Ms. BURWELL. When we think about the issuance of debt that we do on a regular basis in the public markets in terms of how we think about that as well. So right now we have a very large deficit. There are investors all over the world purchasing that debt. And the question is: How do we think about that?

Senator JOHNSON. So basically we have made promises to seniors which we are going to honor, but the only way we honor those promises is for the Treasury Department to basically increase taxes on the American public or float more bonds. There is nothing that they can cash in from the Social Security Trust Fund that has any value to pay those benefits. Isn't that correct?

Ms. BURWELL. So until 2033, at that point, that is the point where the interest of these investments stop, earlier, am I right that—

Senator JOHNSON. But the investments are worth zero to the Federal Government. That is my point. The Social Security Trust Fund will give those bonds, and then how does the Federal Government fund those bonds? How do they make the payment on those bonds?

Ms. BURWELL. They make the payment—the trust fund has been self-funding for many years. As you reflected in the chart, there comes a time and point where that shifts. And then we draw down on the assets, because during—

Senator JOHNSON. How do you pay off with assets?

Chairman MURRAY. Senator, Senator, with all due respect—

Senator JOHNSON. Okay. I am sorry.

Chairman MURRAY. —you are over your time.

Senator JOHNSON. Thank you, Madam Chair. Thank you, Ms. Burwell.

Ms. BURWELL. Thank you.

Chairman MURRAY. Senator Merkley?

Senator MERKLEY. Thank you very much, Madam Chair.

First, I wanted to ask about a specific program important to my timber communities, the Secure Rural Schools, which I mentioned when we met. It is in the budget that was released today, which is very good. I wanted to ask if you feel like you have your hands around an understanding of the role that that program plays as the Federal Government has changed the mission of the timber stands that have contributed to the enormous success of our timber coun-

ties and now they are much more challenged with those additional restrictions.

Ms. BURWELL. Senator, I think that I have more to learn in that space. The two things that I do recall is back when I was previously in the administration, I learned through the conversations around the spotted owl and other things in the timber space. I think there has been much going on. And the only other thing I would say is reflecting upon the comments of Senator Manchin and Senator Rockefeller yesterday, being from a rural community and having my mother at the age of 65 become mayor and talk to me about rural economic development, I have some familiarity with the challenges in rural communities today.

Senator MERKLEY. Thank you, and I will look forward to continuing that conversation with you. We are working hard to try to create a balance, setting aside environmentally sensitive lands within the forest, but then having a sustainable supply of saw logs from the balance. But, meanwhile, because the Government has changed the mission of the lands, it has undercut deeply the financial foundation for those counties and, therefore, pledged to compensate for that. And that pledge must be honored, and that is the pledge I hope you will continue to understand and support. And as I mentioned, it is in the President's budget.

Ms. BURWELL. Senator, I look forward to continuing these conversations.

Senator MERKLEY. Thank you.

I wanted to ask you about tax expenditures. They have grown enormously since 1986 when Senator Packwood led the reform of the Tax Code. We spend over \$1 trillion a year on deductions and credits and ways of bypassing accountability or responsibility to pay taxes, including offshore strategies. Those areas have grown enormously and include some very wasteful spending.

As you envision your responsibility for OMB, do you include in your portfolio the challenge of understanding the money that we spend on tax loopholes?

Ms. BURWELL. As a member first having been at the Treasury Department, I, of course, defer to the role of Treasury as the lead on tax issues. But my previous experience and my expectation of what will happen is that the economic team are all part of that conversation, and I would look forward to being a contributor where Treasury leads.

Senator MERKLEY. I think that was a yes. Is that a yes?

Ms. BURWELL. I will be a part of the conversation. I do respect that Treasury has the analytical capability and plays the lead role, as does the Finance Committee and Ways and Means here on the Hill.

Senator MERKLEY. The tax expenditures very much impact the deficits in the budget and the allocation of resources, so I hope you will understand that spending in the Tax Code is very much spending and needs to be part of a holistic understanding of the allocation of responsibly shaping the way we spend resources in this country.

Third, I wanted to turn to the cost/benefit responsibilities of the department, of OMB, and certainly part of that is to try to quantify the benefits not just that are, if you will, obvious economic pluses

and minuses, but also the social impacts. Are you kind of familiar with that broad framework? And can I count on OMB to really address the broad social and economic impacts when they are evaluating the impact of regulations?

Ms. BURWELL. Yes, as we work through at OMB, and if I am confirmed, and in the management of OIRA making sure that as we think about regulation that we are very conscious of what the core objectives of a regulation are in the sense of public safety, public health, and the environment, and that that is a part of the consideration as one looks at the costs and benefits of any regulation.

Senator MERKLEY. Well, I am delighted to hear that. We are seeing in Oregon just recently massive forest fires. We had the biggest forest fires in a century, one the size of the entire State of Rhode Island last summer, enormous growth of pine beetle infestations because of the warmer winters. We have a big problem in our oyster farming because the oyster seed are having trouble being propagated because of a slight increase in the acidity of the ocean. And that is just within the State of Oregon.

And so when the rules are related to our challenge of controlling the warming of the planet, the warming here in America that impacts my State in so many ways, those are costs that would fit into the framework of OMB's responsibility to do cost/benefit analysis?

Ms. BURWELL. As we think through those issues, the issues of climate change I think are extremely important and some that the administration and the President has said that will be prioritized. And if I am confirmed, I look forward to having the opportunity to understand how those types of things that you have articulated weigh into that process. I think EPA will be a part of that, and I look forward to a good and strong working relationship with EPA.

Senator MERKLEY. Thank you. I am out of time here, so I will put it this way: I realize you cannot speak to the individual pieces, such as is there really a problem in the oyster seed or is there really a problem with pine beetles. But in terms of your understanding of the theory of the responsibility for cost/benefit analysis, are such social impacts ones you intend to make sure are weighed in that responsibility?

Ms. BURWELL. It was my experience before at OMB and OIRA that certain social impacts in terms of whether it is impact on an individual or others are weighed in the process.

Senator MERKLEY. Thank you very much, and thank you, Madam Chair.

Chairman MURRAY. Thank you.

Senator SESSIONS?

Senator SESSIONS. Thank you.

Ms. Burwell, you mentioned the savings under the Affordable Care Act. The savings under the Affordable Care Act were spent to fund—from Medicare were spent and are projected to be spent over time to fund the Affordable Care Act. Is that not correct?

Ms. BURWELL. Senator, my understanding is that CBO has scored that \$100 billion would be over the first decade, and in the second decade, when you start to get the type of positive spiral that I was talking about, that they have scored that at \$1 trillion.

Senator SESSIONS. Well, what they said was—and I asked them explicitly this fact—that the money that was saved by reducing

provider payments in Medicare was used to fund the new Affordable Care Act and cannot, therefore, simultaneously be used to fund Medicare. The money has been spent. This is not a matter of real dispute. I do not want to go into it. But you need to understand that. And they said, in fact, it is double counting the money in a letter they sent to me. And I would submit to you Senator Johnson is exactly correct. There are no assets in the notes that are held by Social Security and Medicare to fund future expenses. The Federal Government is going to have to borrow that money on the world market or raise taxes to honor those commitments because the money has been spent. There are no assets there. You need to know that. This is going to be an important issue. And the spin has been different over time, but it is not accurate. What I told you is accurate.

With regard to the budget, you have talked to the President, I assume, that you will be submitting next year. Do you plan to submit a budget that will balance in 10 years?

Ms. BURWELL. Senator, the question of balance comes back to a comment that I made earlier about how I think about the role of the budget. I believe that the role of the budget is a reflection of how we meet—"we" the Government—our responsibilities to the American people. And I believe that those responsibilities are in three areas, and so the question of balance—

Senator SESSIONS. Well, my only question is: Do you expect to submit a budget in which the revenues are equal to the expenditures and balances?

Ms. BURWELL. Senator, we are in a very, very deep hole, and when one thinks about how quickly one wants to come out of that hole, I think you have to connect that to the results for the American people in terms of the economy, and that—

Senator SESSIONS. You would acknowledge that the President has not submitted a balanced budget in each of his years in office and this year will not either? Isn't that correct?

Ms. BURWELL. Senator, I will not speak to the 2014 budget, as we have discussed. With regard to the historical budgets, the 2013 budget, I think what the President has done is proposed a budget that is—and I know we have disagreements about the word "balance." There is "balanced budget" and there is the word "balanced approach." And so I know there are very different points of view on that and do not—

Senator SESSIONS. My colleagues used that "balanced" word 230 times in the budget debate, and their budget, of course, did anything but balance. The President is not going to submit a balanced budget. You know it and I know it, and you are not going to submit one. Isn't that correct? You are not going to submit a budget that you expect to balance next year?

Ms. BURWELL. Senator, I want to—

Senator SESSIONS. Can you answer that yes or no?

Ms. BURWELL. Senator, I actually do not know that the economy—if the economy takes off and does an incredible, an incredible job this year, if there are incredible dynamics. One of the things that I do not think I can foresee right now and commit to is we could have never known about 9/11, and then the commitments

that we then as a Nation had to make after that. We did not know about 2007—

Senator SESSIONS. Well, okay. I acknowledge that you will not answer my question, and I will tell you, you are not going to submit a balanced budget next year, and the President has dismissed the value of the idea, and I disagree, and I think the American people disagree.

Let me ask you this: What is the current level of debt as a percentage of GDP?

Ms. BURWELL. The current level of debt as a percentage of GDP is around the 77-percent range.

Senator SESSIONS. Is that public or gross debt?

Ms. BURWELL. That is public.

Senator SESSIONS. And do you know what the gross debt is?

Ms. BURWELL. The gross debt numbers, I think, depending on which baseline you use, the CBO baseline, the Senate budget baseline, or the House baseline all differ slightly, but are around the 100 level.

Senator SESSIONS. 104 percent. Are you aware that the Reinhart-Rogoff study in their best-selling book, "This Time Is Different," that when gross debt reaches 90 percent of GDP, that begins to bring down economic growth?

Ms. BURWELL. My understanding of the Reinhart-Rogoff analysis was that it is actually based on a number of international countries, and so not just the U.S., and that when one compares, the most comparable thing that you actually have to go to public debt, debt held by the public, not gross public debt—

Senator SESSIONS. I have to correct you on that. I want you to look at this. That will be my request to you. It is so important. That is not—we examined their study. It is based on gross debt, and the European Central Bank, the International Monetary Fund, and the Bank for International Settlements have also done studies dealing with the impact of large debt on a nation's economy. They have concluded that debt levels that we are at today will pull down growth. And it is the gross debt. You have to look at that number.

Ms. BURWELL. Senator, where I think we—

Senator SESSIONS. So if I am correct, we are seeing slowed growth today, I believe—and I believe we are—as a result of this debt. But you think that is not so, so I will let you explain that.

Ms. BURWELL. Senator, where I think we both agree is that we both believe that debt as a percentage of GDP should be on a downward trajectory. I think that is a place where we all agree, and I believe that that is a place that when one connects to that point which is closest to the American people and jobs in terms of measures that are closest, in terms of outputs that help us think about that outcome, that that is a place where we all agree we want that to be a downward trajectory.

With regard to the study, I am happy to and will look at it again. I have a different understanding of what they were using as a basis for the study, and I look forward to having the opportunity to look at that again.

Senator SESSIONS. Thank you, and that is the quote in the report: "Above the threshold of 90 percent, median growth rates fall by 1 percent, and average growth rates fall considerably more."

And I would note—if we have that chart, I think this is important for my colleagues. Debt is already hurting growth, in my opinion. Look at this chart. The blue line was based on what was predicted for growth 2 years previously by CBO. In 2008, they predicted 3.1 percent growth; it came in at 2.4 percent. In 2009, they predicted 4 percent growth for 2011; it came in at less than half of that. In 2010, they predicted 4.4 percent growth for 2012; it came in at 2.2 percent.

I believe we are seeing delayed slow growth as a result of the size of debt we have now, and, therefore, I think it is imperative for us to have growth to get the debt middle-coming down in a substantial way, not just a token way.

Ms. BURWELL. Senator, as I said, I believe there is a place that we do agree and that that is the numbers should come down.

With regard to these questions of growth, as one of your colleagues earlier said, I think there are different points of view in terms of why we have the current growth rates that we have and in terms of why those growth rates are not where they should be.

The other thing—and that harkens back to a comment that I think the Chairman made that everyone agrees on—a return to regular order actually is an important part of how the economy views things. Having had the opportunity to be in the private sector for a period of time now, the crisis-to-crisis lurching and the uncertainty that that creates does affect GDP because it affects businesses' willingness to invest and think about how they are going to manage.

So I think there are a number of contributing factors to when we think about that number and some differences of opinion.

Chairman MURRAY. Thank you very much.

Senator Kaine?

Senator KAINE. Thank you, Ms. Burwell. I look forward to supporting your nomination. I think you are the right person at this challenging time. Both your governmental and private sector background well equip you for the role, and I think you bring some good karma, having been part of a budget operation and having as part of your legacy balanced budgets. And the President you served and the Congresspeople that you served with have that as part of their legacy as well, and I believe that will be brought to bear in a positive way should you be confirmed, and I am confident you will be.

A comment and just one question. My comment is on the regular order point, and this is, sadly, to put pressure on you. I think the concerns about the submissions of budget on time are shared by both parties. And I know many have expressed them to you, and I did in my meeting.

I have puzzled about why this President, this administration—and I support him so much and feel like so many of the aspects of the President's achievements from, you know, getting Bin Laden and the al Qaeda leadership to CAF? standards, to a stock market that is rising, to hiring and not job reductions, so many things the President can say with his team that I have put my thumbprints on something that is really going in a positive direction. But I do view, frankly, your portfolio as the one where this President really is still looking for a very signature achievement in the budget area.

The late submissions of budgets probably to some seems inconsequential, and yet it is statutory. And just to tell you from the outside, the way that it looks, it is not a question of competence because the people who are doing this work, as you pointed out, in OMB and elsewhere, highly competent, highly intelligent, highly talented. And it is not a question of decisiveness because in so many ways the President and the team demonstrate the quality of decisiveness.

Late budget submissions send the message of lack of concern, that it is not that important, and yet in terms of where we are right now, you know, open any newspaper, turn on any news account for the last few years, everyone has been saying how important this is.

And so one of the things that is really important for you to do is to help us as we wrestle toward, you know, finding the big-picture budget deal and to cement, you know, what by all rights should be this President's accomplishments in the budget area. And I am very happy that he has picked you to do this, and that is just a comment. The pressure is on. This President has done so many things so well. In this particular area, I think he is still looking for a very solid achievement, and you are the person that he has relied on to help deliver that. And I view that as a very weighty responsibility.

My one question is this: In the votes surrounding the passage of the Senate budget, an interesting point came up, and it was an amendment that was proposed by Senator Isakson on the floor, and it was passed by a fairly sizable vote, 68-31, the notion of beginning to explore, as many States do, a 2-year budgeting process where you would do a budget, a full budget over a 2-year course, and then use the mid-year as sort of a true-up year, while revenues were not exactly what we projected, expenses were not either. I think many States find this is something that helps them a little bit with planning. It can help a little bit for incoming Members of Congress to come in in a true-up year rather than a write-the-full-budget year. So it has some appeal to the legislators, and I can see why it passed when it was proposed in the Senate.

I would just like your general thoughts about budget process and whether the notion of a 2-year budget is something that you have thought about, and if so, what is your take on it?

Ms. BURWELL. The issue of biennial budgeting is one that I had the opportunity to speak to when I was at the Office of Management and Budget before, and I think there are some positive aspects to the issues that you can do—most of which you articulated in your explanation.

I think the question is what is it that will most help us get back to a regular order and a process that works. And if I am confirmed at the Director of OMB, while something like that is very much a legislative decision and a decision with appropriators and a decision with this Committee, what I would commit to is being a part of that conversation in terms of what it would mean from the executive branch standpoint, to think about how we can work together to get to a place where, if that can contribute to getting us back to a regular order, where we have that prioritization, because to me, as I have reflected as I am entering back in and thinking about

these issues and studying and that sort of thing, the thing that is missing is the form for prioritization. The conversations are in their pieces, and conversations in their pieces do not require us to bring it together, and, therefore, actually stand above our particular interests as represented—of course, everyone represents their State. Of course, everyone represents their district to the best of their ability. But they also represent the American people broadly. And it is only in those fora where we bring everyone together where they have to make the decisions together that you actually act in that other role as well.

And so if things like biennial budgeting can help with that, that is something that I would love to be a part of the conversation, as I say, as appropriate, because I also respect that is a decision of the Congress.

Senator Kaine. Thank you very much.

Chairman MURRAY. Senator King.

Senator KING. Ms. Burwell, thank you very much. I agree, one of the most interesting votes was the 2-year budget vote. Of course, any vote that occurs at 2:00 in the morning you have to—

[Laughter.]

Senator KING. Senator Portman raised a question about health care costs. I have a slightly different view of it that I would like to share and ask your reaction. I believe that virtually the entire Federal budget deficit problem on an ongoing basis is health care. It is the cost of health care that the Government buys in very large quantities in terms of Medicare, Medicaid, and Federal health benefits.

To me, though, the solution is not to try to squeeze and change Medicare. It is to try to deal with the overall health care escalation, which affects all of us as private citizens and businesses and everything else. I think you have touched on this, but what I am interested in is how can we as governmental entities affect the larger issue of health care costs. One way I have thought of is we are a very big customer, and maybe as a customer we could start to affect—for example, Medicare should require every provider they deal with to have electronic medical records as a customer, just say this is something we are going to do. You know, I have been hearing about electronic medical records forever, and it just does not seem to be happening. It is happening on a piecemeal basis, very expensive.

Thoughts on this idea?

Ms. BURWELL. Senator, you touch upon an issue that I actually raised yesterday in my hearing yesterday, the issue of electronic medical records. I had the opportunity to be on the board of a major health institution, the University of Washington Medical Center, as they were starting on that process of transferring to those records, and now I am in a health care system where they are fully transferred, in the Mercy Hospital system in northwest Arkansas. And the experience both in quality of care and cost savings is one that you see every day.

So I am able to see the results of my children's tests on my computer in the evening, and so that calling back and forth with the nurse, that step is eliminated. That is a cost savings. It is actually

better quality care because I get the answers and know the answers as best possible.

In addition, when I go in or take the children in, when we go in with our children, all the tests are there. They know—it also helps with preventive care. I had, you know, one of the nuns question me on why I had not gotten my flu shot. It is recorded. It is there. And so the elements of those types of things I think are extremely important to—

Senator KING. But do you see my point that we are the world's largest customer, we can influence these decisions?

Ms. BURWELL. And I think those are questions that we would work through with the Office of Personnel Management in how we do that. I think the question of customer influence, I think the question of how we implement and how we legislate, I think those are all tools that we have to think through. The customer one is one that I welcome, and I welcome understanding what we are and are not doing, having been out—

Senator KING. I judge a health care provider by whether they hand you a clipboard when you walk in. If they do, they are behind the times.

Changing the subject entirely, you were there at a time of a balanced budget, I think the only balanced budgets in the last living memory, 40 years or something like that. It is very easy to spend, and it is very hard to tax. My question is: Do you think the time has come to consider some kind of external restraint in the nature of a balanced budget amendment or something like that to compel the Federal Government to ultimately get to a balanced budget? I realize we are not talking about next year or 5 years or 10 years, but at some point. I just wonder if the realities of American politics, the will, if you will, has to be governed by some constraint. All my life I have been opposed to such a thing, but I am coming to believe that, given the realities, maybe we have to do that.

Ms. BURWELL. Senator, I think that we should be able to make the decisions without the question of a balanced budget amendment. I think we have talked about it all today. It is where everyone wants to go in terms of taking that debt-to-GDP ratio down, getting us to the right place. As you reflect, I had the opportunity to work on balanced budgets. Those were in a particular context of a number of things, what I believe is fiscal discipline, revenues at a certain level, and good economic health. And I think how you put those together at different times and different needs for the Nation, one needs to take care, and that that is the job about the judgment of when and how we do that.

I would be hopeful that we can make our way to a place without an amendment specifically.

Senator KING. I guess I would fall back on President Reagan: Trust, but verify. I think there has to be something to force the verification, you know, just looking at history.

A final question. One of the roles of OMB is in the regulatory review area, and there has been some discussion of that today. When I talk to businesses in Maine, small businesses in particular, the regulatory burden is the biggest thing that they mention. It is the first thing they mention. I hope that you will take very seriously the regulatory review process and certainly meet the deadlines on

a timely basis, as Senator Whitehouse talked about, but to really try to assess what will the impacts of this be. Are there ways that this goal can be accomplished without increasing cost burdens in time?

It was very interesting. I talked to companies about the Affordable Care Act. They are more concerned about the regulatory requirements than they are the costs. At least that is what I am hearing, and the number of forms they have to fill out. These are companies that have their own health insurance. They still have to go through a long regulatory process, and I hope that this will also be an important part of your attention when you are in this position.

Ms. BURWELL. I think that the issue of small business actually is a role throughout OMB. You specifically mentioned it in the context of regulatory and rulemaking, and I think that is an important role that OMB brings, bringing the voice of small business, whether it is through the executive branch or more broadly, making sure that small business is at the table. But I think it actually occurs in other places in OMB, such as the strategic sourcing initiatives and making sure that when one thinks about the Strategic Sourcing Leadership Council, it is the seven largest departments of contracting, but it also includes small business.

So I think there are a number of places where OMB has a role in ensuring that the interests of small business are expressed and understood.

Senator KING. Thank you very much, and I really appreciate your willingness to take on this task. It is one of the most important jobs in the country, and I am delighted that you are willing to do what it takes to make this happen for our country. Thank you.

Ms. BURWELL. Thank you, Senator.

Chairman MURRAY. Thank you.

Senator Sessions? I am sorry. Senator Sanders?

Senator SANDERS. You have confused Mr. Sessions with me?

[Laughter.]

Chairman MURRAY. No. We were going back and forth. I would not do that, Senator Sanders.

Senator SANDERS. Ms. Burwell, thank you very much for being here. I look at your opening remarks, and you indicate that your primary focus will be deficit reduction, increased efficiency and effectiveness in how Government works, and targeted investments that grow the economy and create jobs. It seems to me those are all important initiatives, but you are missing one that is very important, and that is the issue of distribution of wealth and income in this country.

In the last several years, we have seen modest economic growth, but it did not mean anything to working families because all of the increase in income went to the top 1 percent.

As one of the major financial advisers, if you are appointed, to the President, is the issue of distribution of wealth and income, which is now the widest of any major country on Earth and worse than at any time since the 1920s, is that an issue of concern to you?

Ms. BURWELL. Yes, sir, Senator, it is. The issue of that and how a healthy economy—to me the definition of a healthy economy actually includes the point you are making, which I think is a very important point. Healthy means not just—for a few, it means across the economy as we think about what happens when there is growth. And so thinking about it broadly is something that is important to me, Senator.

Senator SANDERS. So is it a major concern to you that between 2009 and 2011 all—A-L-L—of the new income went to the top 1 percent?

Ms. BURWELL. Senator, it is a concern and one that, while I have not seen the President's budget, I think the President's announcement about the minimum wage issues is one that I think is important.

Senator SANDERS. Yes, it is, but cuts in Social Security are also important, which would move us in exactly the wrong direction.

In terms of revenue—and I know Senator Warner raised the issue—in 2012, at 15.8 percent, revenue as a percentage of GDP was the lowest in 60 years. And yet at a time when corporate profits are at an all-time high, corporate income tax revenue as a percentage of GDP is near a record low. Corporate profits, all-time high; as a percentage of GDP, corporate revenue is at an all-time low.

The President has just brought forth a budget in which he wants to see tax reform as revenue neutral. When one out of four major corporations pay zero in taxes, do you not think that we have an opportunity to bring in substantial amounts of revenue as part of corporate tax reform?

Ms. BURWELL. Senator, I think that the—when we think about revenue and think about it in its entirety and those percentages and how they work, I think we are up to 17 percent when we include ATRA and the effects of that. And so moving in that direction, I think as you and I have discussed, I do believe there is an opportunity in the revenue space.

As we think about the corporate issue—and, again, I will defer to my colleagues at Treasury, and I think Director Lew will be here tomorrow—will be actually on the other side tomorrow talking about these issues. I would defer to them. But I think the questions of how we think about corporate tax issues and tax overall, when I think about tax overall, I think about three principles: simplicity, progressivity, and thinking about its contribution to deficit reduction.

Senator SANDERS. Well, in 2011, corporations paid just 12 percent of their profits in taxes, the lowest since 1972. Before we cut programs like Social Security or Medicare, do you not think it is a good idea that we look to corporate America for more tax revenue?

Ms. BURWELL. Senator, I think a balanced or comprehensive approach to the issues of deficit reduction require us to look at all options as we think through things. I think the question of in the corporate tax space, are the changes that we need broadening of the base and a closing of the loopholes that will then, as the economy gains steam, result in changes in revenue?

Senator SANDERS. Why do you think—the issue of health care has, appropriately enough, been discussed by a number of Senators. At the end of the day, the United States spends almost twice as much per capita on health care as any other major nation. We are the only major country on Earth without a national health care program guaranteeing health care to all people. Do you think there might be a connection between the fact that we spend so much, our outcomes are often not as good as other countries', and we do not have a national health care program?

Ms. BURWELL. I think that the issue of health care costs and actually provision of health care are ones that are both equally important, both the cost issue and actually the provision of care as a Nation, which is why I think the Affordable Care Act is an important part of a step forward in providing—

Senator SANDERS. My question was—I do not think we have a Medicare or a Medicaid problem. We have a health care problem. Our health care system spends as a Nation almost twice as much as many other countries, and our health care outcomes in many cases are worse. We are the only major nation without a national health care system. Do you think there is a connection in the fact that we spend so much and we do not have a system?

Ms. BURWELL. I think the question of what is at the root cause, probably a number of things, but I think you articulated—I agree with what you articulated, is that connection between costs and outcome. And then I think the question is: What is the best way to get that connection between outcome and cost? Because I think we often, in the construct of our current systems, have trouble doing that, and that is—

Senator SANDERS. Do we have a health care system? I was not aware that we had a health care system in America.

Ms. BURWELL. When I used the phrase "health care system," I meant broadly for the Nation as a whole in terms of the marketplace.

Senator SANDERS. Marketplace, yes. And do you think that marketplace health care system might be one of the reasons we spend almost twice as much as any other country on health care, the role of private, for-profit health insurance companies?

Ms. BURWELL. I think that it is a combination—and I will come back to what I think is a core point, which is, How do we align the outcomes with what we are paying for? And I think that gets to some of the parts of the conversation that we have had in a number of different places. And I think at the root of trying to bend those curves and get those—both the costs down and the quality of the result up. When people are trying to measure what they are doing against an outcome—in other words, a health result—I think that makes a difference.

We had conversations in yesterday's hearing about this with regard to looking at some of the results that both Cleveland Clinic and Mayo are having in terms of the quality of their outcome in a cost-efficient manner. And I think that is at the root of the issue.

Senator SANDERS. Okay. My time has long expired. Thanks, Madam Chairman.

Chairman MURRAY. Thank you very much.

Senator Sessions, did you have any final—

Senator SESSIONS. Yes, thank you so much, Madam Chairman, for the hearing, and I appreciate you, Ms. Burwell, and look forward to working with you. I think things will go well with you in this confirmation process.

I will say, in all honesty, I think you were using some of the spin tactics that the administration has been using on this debt. We are going to have to be able to talk directly about what real numbers are, what the real finances are. When we are talking about trillions of dollars, we cannot have confusion about this.

Mr. Lew came in and spun his way and I guess got an election successful. But it is not the right way for us to reach a bipartisan agreement.

I would note that the President's budget—the embargo has now just been lifted—is out today. It proposes \$1.1 trillion in new taxes—that is one thousand one hundred billion—and he proposes \$946 billion in new spending.

So basically it is a tax-and-spend budget. The idea that we have a balanced plan where we raise taxes and equal that with the reduction in spending has never been what has been presented to Congress by this administration. It has always been raise taxes and raise spending, and that is why we remain on an unsustainable course, in my opinion.

Your former boss, Mr. Erskine Bowles, said this Nation has never faced—in that very seat—a more predictable financial crisis because we were on an unsustainable path. And I just would say to you I look forward to working with you. You are very good to talk with. I think we can have an open relationship. But it is a crisis time. And if I am correct that the debt already is impacting our growth rate, then we have an even stronger imperative to reduce—and the Ryan budget, which balances—the House budget, which balances, shows you can grow spending 3.4 percent a year and the budget will balance. It just cannot grow at 5.4 percent a year. So we can increase spending each year and balance a budget, and that is the kind of concrete goal we need. This vague idea of a sustainable plan or sustainable deficits, those kind of words create no accountability, no firm goal which we can adhere to and fight for.

So I look forward to working with you. This will be a challenge. I am worried about the growth that we are not seeing, and if we get this thing on the right course, I think America will bounce back. I believe there is a lot of vibrancy out there and a lot of potential, but there are some clouds that we need to remove.

So thank you very much for your testimony today.

Ms. BURWELL. Thank you.

Chairman MURRAY. Thank you very much, Senator Sessions. We will have a chance to debate those numbers you put out about the President's budget, which I think we will have a debate about, and certainly continue to the debate about whether or not the Ryan budget is a balanced budget in many different aspects, as we continue forward.

Ms. Burwell, thank you very, very much for your testimony today and for your willingness to participate in public service at a very challenging and important time. We greatly appreciate the sacrifice of both you and your family, so thank you very, very much.

As a reminder to all of my colleagues, additional statements for today's hearing are due in by 6:00 p.m. today to be signed and submitted. And also for the information of my colleagues, again, it is my intention to move to Ms. Burwell's nomination as expeditiously as possible. This Committee does have a 48-hour notice requirement, but— Senator Sessions, I will work with you—I would like to do it as quickly as possible early next week.

Senator SESSIONS. We have a few questions to submit questions, as normal, but I think they can be handled expeditiously.

Chairman MURRAY. Very good.

And, finally, again, just a reminder to all of our Committee members, we will have Acting Director Jeff Zients here tomorrow to discuss the President's budget.

With that, I will call this hearing to a close.

[Whereupon, at 12:18 p.m., the Committee was adjourned.]

UNITED STATES SENATE
COMMITTEE ON THE BUDGET
ROOM SD-624
(202) 224-0642
WASHINGTON, DC 20510-6250

STATEMENT OF BIOGRAPHICAL AND FINANCIAL
INFORMATION REQUESTED OF PRESIDENTIAL NOMINEES

A. BIOGRAPHICAL INFORMATION

- 1. Name:** Sykvia Mathews Burwell, Sylvia Mary Mathews
- 2. Position to which nominated:** Director of the Office of Management and Budget
- 3. Date of nomination:** March 8, 2013
- 4. Address:** (Redacted)
- 5. Date and place of birth:** June 23, 1956, Hinton, WV
- 6. Martial status:** Married to Stephen Roderick Burwell
- 7. Names and ages of children:** (Redacted)
- 8. Education:**
 - Harvard College, September 1983–June 1987, Bachelor of Art
 - Oxford University, Worcester College 1987–June 1990, Bachelor of Art
- 9. Employment Record:**

ATTACHMENT 1 – EMPLOYMENT RECORD

<u>Employer</u>	<u>Title</u>	<u>Location</u>	<u>Date Employment Began</u>	<u>Date Employment Ended</u>
Walmart Foundation	President	Bentonville, AR	12/2011	Present
Bill and Melinda Gates Foundation	President Global Development	Seattle, WA	04/2001	11/2011
Office of Management and Budget	Deputy Director	Washington, DC	1998	Est X 01/2001
The White House	Assistant to the President and Deputy Chief of Staff	Washington, DC	1997	Est X 1998
U.S. Department of Treasury	Deputy Chief of Staff to the Secretary	Washington, DC	1995	Est X 1997
The White House	Staff Director for the National Economic Council and Special Assistant to Robert Rubin head of the National Economic Council	Washington, DC	1993	Est X 1995
Presidential Transition	Economic Policy DC Office Manager	Washington, DC	11/1992	01/1993
Clinton/Gore for President	Deputy Economic Policy Director	Little Rock, AR	07/1992	11/1992

Sylvia Mathews Burwell
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Statement of Biographical and Financial Information

McKinsey and Company	Associate	New York, NY	08/1990	07/1992
Oxbridge Academic Resources	Administrator	New York, NY	07/1989	08/1989
Dukakis/Bentsen Presidential Campaign	Researcher	Boston, MA	06/1988	11/1988
The LEK Partnership	Research Associate	Boston, MA	06/1987	09/1987
State of Massachusetts	Governor's Aide	Boston, MA	06/1986	08/1986
Harvard Business School	Executive Education Reunion Coordinator	Boston, MA	01/1986	06/1986
Congressman Nick Joe Rahall	LBJ Intern	Washington, DC	06/1985	08/1985
Kirk's Home of the Hungry Smile	Waitress	Hinton, WV	06/1983	08/1983

10. Government Experience:

None

11. Business relationships:

ATTACHMENT 2 – BUSINESS RELATIONSHIPS

<u>Name</u>	<u>Position</u>	<u>Date</u>
Walmart	President, Walmart Foundation	01/2012-Present
MetLife	Director	01/2004-Present
Council on Foreign Relations	Director	06/2007-Present
Bill and Melinda Gates Foundation	President Global Development	3/2001-11/2011
Peter G Peterson Foundation	Advisory Group Member	03/2005-Present
Nike Foundation	Advisory Group Member	03/2005-Present
Alliance for a Green Revolution in Africa	Board Member	2007-2011
ALS Evergreen Chapter	Professional Advisory Board Member	01/2008-Present
Brookings Institution	Member Advisory Group for Managing Global Insecurity	2007-2008
Center for Strategic and International Studies	Smart Power Commission Member	2007-2008
Miller Center of Public Affairs	Governing Council Member	2000-2008

12. Memberships:

ATTACHMENT 3 – MEMBERSHIPS

<u>Name of Organization</u>	<u>Dates of Your Membership</u>	<u>Position(s) Held</u>
Aspen Strategy Group	2001-Present	Member
Trilateral Commission	2007-Present	Member
World Economic Forum	2004-2009	Young Global Leader
Pacific Council on International Policy	2003-2009	Member
Aspen Institute	2005-2007	Henry Crown Fellow
MetLife, Inc.	2004 - Present	Director
University of Washington Medical Center	2002-2005	Board Member
Pete G. Peterson Foundation	2009 – Present	Advisory Board Member
The Nike Foundation	2005 - Present	Advisory Group
Council on Foreign Relations	2002-present	Member, Board of Directors
The Next Generation Initiative	2003-Present	Founding Member
St Paul's	2012-present	Member
St. Mark's Cathedral	2001-2011	Member
Wasatch Group	Present	Member
Alliance for a Green Revolution in Africa	2007 – 2011	Board Member

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ALS Evergreen Chapter	2008 - Present	Professional Advisory Board Member
Brookings Institution	2007 - 2008	Member Advisory Group for Managing Global Insecurity
Center for Strategic and International Studies	2007-2008	Smart Power Commission Member
Miller Center of Public Affairs	2000-2008	Governing Council Member

13. Political affiliations and activities:

(a) List all offices with a political party which you have held or any public office for which you been a candidate.

(None)

(b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

My husband and I were co-hosts of an Obama fundraiser at my 25th college reunion in May 2012.

(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 5 years.

ATTACHMENT 4 – POLITICAL CONTRIBUTIONS

<u>Name of Recipient</u>	<u>Amount</u>	<u>Year of Contribution</u>
Anne Barth	500	2008
Susan Craighead	250	2008
Obama for America	1300	2008
Clinton for President	500	2008
Obama Victory Fund	2000	2008
Alan Khazei	3000	2009
Democratic Senatorial Campaign Committee	250	2010
Patty Murray	250	2010
Joe Manchin	250	2010
Alan Khazei	500	2011
Holton for AG	1000	2012
Jon Tester	100	2012
Obama Victory Fund	1500	2012
Obama for America	1500	2012
Nancy Soderberg	250	2012

Sylvia Mathews Burwell
Senate Committee on the Budget
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Washington United	500	2012
Walpac	5000	2012

14. Honors and awards:

Rhodes Scholar

Institute of Politics Fellow, Harvard University

Senior Fellow, UCLA School of Public Policy

Honorary Degrees: West Virginia University, Doctor of Humane Letters,
2003 Northeastern University, Doctor of Philanthropy, 2011

15. Published writings:

ATTACHMENT 5 – PUBLICATIONS

<u>Title</u>	<u>Publisher</u>	<u>Date(s) of Publication</u>
Mother's Day Every Day	Huffington Post Blog	May 11, 2012
Better Crops = Better Lives.	Bill & Melinda Gates Foundation Blog. www.gatesfoundation.org	April 13, 2011
Leading Thinkers Series: Aid in the 21st century.	The Globe and Mail	March 3, 2011
Aid in the 21st Century	Bill & Melinda Gates Foundation Blog. www.gatesfoundation.org	March 3, 2011
Fortify Lives with Agriculture and Nutrition.	Bill & Melinda Gates Foundation Blog. www.gatesfoundation.org	February 10, 2011
Addressing the Needs of Smallholder Farmers.	Bill & Melinda Gates Foundation Blog. www.gatesfoundation.org	May 6, 2010
The Policy Wonk in the War Room.	Huffington Post Blog	October 4, 2011
Building a Better World.	Huffington Post Blog	May 25, 2011
Keeping Promises and Delivering Hope to Poor Farmers and Their Families.	Huffington Post Blog	December 17, 2010
Banking on Savings for the Poor	Huffington Post Blog	November 11, 2010
A Green Revolution growing in West Africa.	Huffington Post Blog	September 14, 2010
Hope on a Hillside	Huffington Post Blog	August 17, 2010
Big Action for Small Farmers.	Huffington Post Blog	June 25, 2010
Security and Development at a Time of Global Economic Turmoil. Article from The Global Economic Crisis and Potential Implications for Foreign Policy and National Security.	Aspen Strategy Group	2009

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Making Progress/ Les champs du progrès.	Jeune Afrique, Op-ed.	June 13, 2009
If you improve agriculture, you improve life for millions.	DesMoinesRegister.com	October 13, 2008
Building Public-Private Partnerships: a condensed case study.	Aspen Strategy Group	2008
Financing for Global Health. Article from Transforming the Development Landscape: The Role of the Private Sector.	The Brookings Institution	2006
Chapters Play Important Role in Keeping Nation Connected.	The Navajo Times	March 11, 2004
Libraries Open Digital Window.	Albuquerque Journal	March 13, 2004
Computers Connect People.	Charleston Gazette	February 14, 2004
American Economic Policy in the 1990s	In J.A. Frankel & P.R. Orszag (Eds.) The Role of Institutions in the White House: The Process of Economic Policy-Making During the Clinton Administration (pp. 1034-1038)	2002

16. Speeches:

In my official capacity at the Walmart and the Bill and Melinda Gates Foundation, I delivered speeches that focused on global development (E.g. increasing productivity for small holder farmers) and philanthropy. None of these speeches were on topics relevant to the position for which I am being nominated, and thus copies are not provided.

17. Selection:

(a) What do you believe in your background or employment experience affirmatively qualifies (YOU) for this particular appointment?

I believe that my prior professional experience at Office of Management and Budget, the White House, U.S. Department of the Treasury, and the National Economic Council as well as my private sector experience at Walmart, the Bill and Melinda Gates Foundation, and MetLife qualifies me for this appointment.

(b) Were any conditions, expressed or implied, attached to your nomination? If so, please explain.

No.

(c) Have you made any commitment(s) with respect to the policies and principles you will attempt to implement in the position for which you have been nominated? If so, please identify such commitment(s) and all persons to whom such commitments have been made.

No.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

Yes,

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, please explain.

No.

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

No.

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? If so, please identify such person(s) and commitment(s) and explain.

No.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, please explain.

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with OMB's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

2. Identify and describe all investments, obligations, liabilities, business relationships, dealings, financial transactions, and other financial relationships which you currently have or have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest

will be resolved in accordance with the terms of an ethics agreement that I have entered into with OMB's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy other than while in a federal government capacity.

Apart from my duties as a government official during the past 10 years, I have had minimal engagement in legislation and policy-making. While employed by New York University, I had occasional meetings with members of congress and local government officials on education policy.

4. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the Office of Management and Budget and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?

Yes.

5. Explain how you will resolve potential conflicts of interest, including any disclosed by your response to the above questions.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Office of Management and Budget's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with OMB's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendere) by any Federal, State, or other law enforcement authority for violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No.

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party of interest in any administrative agency proceeding or civil litigation? If so, provide details.

As a member of the MetLife Board I may have been named in individual matters, however, to my knowledge, none of these cases involved allegations of wrongdoing by me in my official or individual capacity. Walmart as a company has various proceedings and litigation; however, I was not involved in any of these matters.

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with our nomination.

None to my knowledge.

E. TESTIFYING BEFORE CONGRESS

1. If confirmed, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

2. If confirmed, are you willing to provide such information as may be requested by any committee of the Congress?

Yes.

F. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents.

1. Please provide personal financial information not already listed on the SF278 Financial Disclosure form that identifies and states the value of all:

(a) assets of \$10,000 or more held directly or indirectly, including but not limited to bank accounts, securities, commodities futures, real estate, trusts (including the terms of any beneficial or blind trust of which you, your spouse, or any of your dependents may be a beneficiary), investments, and other personal property held in a trade or business or for investment other than household furnishings, personal effects, clothing, and automobiles; and
(Redacted)

(b) liabilities of \$10,000 or more including but not limited to debts, mortgages, loans, and other financial obligations for which you, your spouse, or your dependents have a direct or indirect liability or which may be guaranteed by you, your spouse, or your dependents; and for each such liability indicate the nature of the liability, the amount, the name of the creditor, the terms of payment, the security or collateral, and the current status of the debt repayment. If the aggregate of your consumer debts exceeds \$10,000, please include the total as a liability. Please include additional information, as necessary, to assist the Committee in determining your financial solvency. The Committee reserves the right to request additional information if a solvency determination cannot be made definitively from the information provided.

(Redacted)

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, executory contracts and other future benefits which you expect to derive from current or previous business relationships, professional services and firm memberships, employers, clients and customers. If dates or amounts are estimated, please so state. Please only include those items not listed on the SF 278 Financial Disclosure form.

(Redacted)

3. Provide the identity of and a description of the nature of any interest in an option, registered copyright, or patent held during the past 12 months and indicate which, if any, from which you have divested and the date of divestment unless already indicated on the personal financial statement.

(Redacted)

4. Provide a description of any power of attorney which you hold for or on behalf of any other person.

(Redacted)

5. List sources and amounts of all gifts exceeding \$500 in value received by you, your spouse, and your dependents during each of the last three years. Gifts received from members of your immediate family need not be listed.

(Redacted)

6. Have you filed a Federal income tax return for each of the past 10 years? If not, please explain.

(Redacted)

7. Have your taxes always been paid on time including taxes on behalf of any employees? If not, please explain.

(Redacted)

8. Were all your taxes, Federal, State, and local, current (filed and paid) as of the date of your nomination? If not, please explain.

(Redacted)

9. Has the Internal Revenue Service or any other state or local tax authority ever audited your Federal, State, local, or other tax return? If so, what resulted from the audit?

(Redacted)

10. Have any tax liens, either Federal, State, or local, been filed against you or against any real property or personal property which you own either individually, jointly, or in partnership? If so, please give the particulars, including the date(s) and the nature and amount of the lien. State the resolution of the matter.

(Redacted)

11. Provide for the Committee copies of your Federal income tax returns for the past 3 years. These documents will be made available only to Senators and staff persons designated by the Chairman and Ranking Minority Member. They will not be available for public inspection.

(Redacted)

12. Have you ever been late in paying court-ordered child support? If so, provide details.

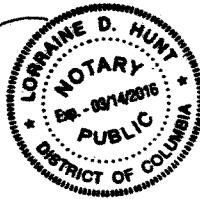
(Redacted)

13. Have you ever filed for bankruptcy or been a party to any bankruptcy proceeding? If so, provide details.

(Redacted)

St M Burwell **AFFIDAVIT** being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.
 Subscribed and sworn before me this 26th day of MARCH, 20 13
 Notary Public

Lorraine D. Hunt
LORRAINE D. HUNT
 Notary Public of District of Columbia
 My Commission Expires March 14, 2016



Answers to Questions Submitted

Questions from Chairman Murray for Sylvia Mathews Burwell,
Nominee to be Director, Office of Management and Budget

**Questions from Chairman Murray for Sylvia Mathews Burwell,
Nominee to be Director, Office of Management and Budget**

1. What do you see as the main function of the budget and the budget process?

I believe the Budget serves as a statement of the Nation's priorities. At its core, the budget process provides the means for the President and Congress to engage in a dialogue and decide where to invest resources, how much to invest, and how to provide the funds for these investments. The decisions reflected in the Budget, and ultimately made through the budget process, affect individual Americans, State and local governments, and the Nation as a whole. The budget process provides the means for enacting into law thoughtful budget decisions and national priorities.

2. What do you think works well with the current budget process? What doesn't work well? Are there aspects of the existing budget process that you believe should be replaced or updated?

The return to Statutory PAYGO and discretionary funding caps is a positive step toward bringing back the kind of budget discipline that helped turn deficits into surpluses in the 1990s. One of the overarching fiscal policy goals of the Clinton Administration was to spur long-term economic growth so that the Nation could better afford our long-term commitments. I am encouraged by the focus of both Congress and the President on the need to reduce the Nation's deficits and debt to manageable levels. If confirmed, I look forward to working with the Committee to make additional, meaningful progress in this area.

One thing that is not working well is budgeting by crisis. This approach to budgeting negatively impacts the economy, the American people, businesses, and the budget process in both branches of Government. There is broad agreement that deficit reduction is a priority, but there are differences over the appropriate mix of policies to get the job done. It is important that these differences do not overshadow the underlying consensus and result in missed opportunities to reach agreement. If confirmed, I look forward to working with Congress to return to regular order and address our fiscal challenges in a constructive, thoughtful way.

3. The nation continues to face two interrelated economic and fiscal challenges: (1) strengthening the economic recovery, including continuing to put more Americans back to work, and (2) addressing the nation's long-term debt. Do you agree and, if so, how should the government best balance and address those two challenges?

I agree that these are interrelated challenges. As the President has stated, our first priority should be getting the economy back on track and getting Americans back to work. By growing the economy, and at the same time working to find sensible ways to reduce our deficit, the Nation will move forward on a sustainable fiscal trajectory.

**Questions from Chairman Murray for Sylvia Mathews Burwell,
Nominee to be Director, Office of Management and Budget**

If confirmed, I look forward to working with the President, Congress, State and local governments, and the private sector on a deficit reduction plan that will put our country on a sustainable fiscal path, grow the economy, and create jobs.

4. You served as Deputy Director at the Office of Management and Budget (OMB) from 1998 until 2001. That service coincided with the last time the federal budget was in balance - an historic period. We are in the midst of another historic period, following the continued recovery from the housing and financial crises and the worst recession since the Great Depression, events that began under the watch of the last administration. It is not just the budget that has changed, however -- the political system and processes have also changed considerably in the ensuing years. If confirmed, how would you approach the new budgetary and political challenges that would await you as Director? What lessons from your prior service at OMB do you think would serve you well as Director today? What lessons and experiences from your extensive service in the nonprofit world do you see helping you in addressing the new challenges that would await you as Director?

As it was when I was Deputy Director, OMB remains the place where the big picture on budgeting comes together. That process requires difficult choices and a great deal of discipline. The substantive challenges of how to use the agency's budget and management tools to support a healthy economy, in both the short and long term, are even greater today. These challenges include addressing our long-term deficit, protecting our Nation's aging population, and stabilizing the economy. These are problems that cannot be solved by a single person or institution; they require dialogue, collaboration, and compromise.

From my experience in the Clinton Administration, I learned the importance of working together in a bipartisan fashion to accomplish important objectives. I saw firsthand how the deficit reduction agreements of the late 1990s were reached, and I took part in many of the negotiations. I know that Democrats and Republicans all come to the table with firm convictions. But in the end, to move the country forward, there must be willingness to find common ground. If confirmed, I would work with Congress to restore regular order and build strong relationships with Members of Congress.

5. If confirmed, what actions would you take to help foster a return to "regular order" in the annual budget and appropriations process?

It is difficult to overstate the importance of working together in a bipartisan fashion to get things done. Although Democrats and Republicans all have firm convictions that we know which policies are best, ultimately there must be a willingness to find common ground to move toward our shared goal of growing the economy. If confirmed, I will work very hard to make sure that the President's budget is transmitted to Congress on time, and I look forward to working with Congress to restore regular order and build strong relationships with Members of Congress.

Questions from Chairman Murray for Sylvia Mathews Burwell,
Nominee to be Director, Office of Management and Budget

6. Relative to the size of the economy, at what level of debt do you believe the government faces a significant risk of a fiscal crisis? Should the government set a target for stabilizing the debt? If so, at what level and by when?

Congress and the President have already taken several steps to address our long-term budget challenges, but additional steps are required. The Budget Control Act of 2011 cut discretionary spending by over \$1 trillion, and the American Taxpayer Relief Act of 2012 raised over \$600 billion in revenue. In total, the spending cuts and revenue increases enacted over the past two years will reduce the deficit by over \$2.5 trillion[, excluding the deficit reduction that the Joint Select Committee was charged with achieving] . This is over halfway to the \$4 trillion in deficit reduction that economists say is needed to stabilize, and then start reducing, our debt.

The remaining deficit reduction must both support our economic recovery in the short term and reduce the deficit over the medium to long term to put our debt on a declining path as a share of the economy. If confirmed, I look forward to engaging in a dialogue with Congress and working with members of both parties on a deficit reduction package that will put our country on a sustainable fiscal path while continuing to strengthen the middle class, invest in the future, and grow our economy.

7. A common criticism of the current budget process is that it does a poor job of providing information on the long term – both in the budget materials submitted by the President each year and in the Congressional budget process. Do you agree that this is a problem? If so, what ideas do you have for addressing this lack of long-term information both in the up-front planning each year and in the subsequent consideration of legislation by Congress?

Since the early 1990s, the Administration has released a long-term budget projection each year in the Analytical Perspectives volume of the President's Budget. The long-term projection begins with the 10-year detailed budget policy projections prepared for the main Budget submission and extrapolates totals for revenues, discretionary spending, major entitlements, other mandatory programs, net interest, deficit/surplus, and debt using rules of thumb for each program. The presentation shows budget aggregates over 75 years and a discussion of long-term fiscal challenges, as well as an analysis of the long-term budgetary impact of various policy, economic, and technical assumptions. CBO also releases an annual long-term fiscal outlook, which provides a 75-year projection under both current law and an extension of the alternative fiscal scenario.

If confirmed, I would like to hear the Committee's views on ways to improve upon or expand the long term information provided in the President's Budget and what additional long term information would be useful.

Questions from Chairman Murray for Sylvia Mathews Burwell,
Nominee to be Director, Office of Management and Budget

8. In recent years, the expiration of the 2001 and 2003 tax cuts, the expected decline in funding for overseas contingency operations, and the bipartisan desire to replace some or all of the sequestration process called for under the *Budget Control Act of 2011*, among other things, has led to the increasing use of alternative, more realistic, baselines. This represents a fairly major change in the practice of federal budgeting relative to the baselines used prior to the early 2000s.

The President's Fiscal Commission, the Bipartisan Policy Center's Debt Reduction Task Force, the Senate and House Budget Committees, and the Office of Management and Budget each have developed their own versions of an alternative baseline to assess and present the effects of proposed policies. Similarly, in recognition of the uncertainty regarding future changes to laws and policies, CBO also has provided Congress with estimates of spending, revenue, deficits, and debt under an "alternative fiscal scenario" that adjusts its current law baseline for certain policy assumptions. One recent example of the use of a *current policy* baseline and estimate versus a *current law* baseline and estimate is the estimate of additional revenue from enacting the *American Taxpayer Relief Act of 2012*. Republicans and Democrats both commonly refer to the new revenue of roughly \$620 billion that occurs from measuring relative to a current policy baseline. That estimate, of course, differs from CBO's current law estimate, which actually showed a substantial tax cut relative to current law.

What is your opinion of the importance and usefulness of baselines in general, and in the use of "current policy" or other alternative baselines, in particular? In what circumstances do you believe it is appropriate to use an alternative baseline?

Baselines serve an important purpose by providing projections of future spending and revenue levels to inform policymakers. Alternative baselines, such as "current policy" baselines can be appropriate when they reflect a more accurate prediction about the future than is contained in the current law baseline. For example, most observers believed that it was unrealistic to assume that all of the 2001 and 2003 tax cuts would expire at the end of 2010 (later 2012), despite that being the state of the law at the time. Therefore, many budget analysts used "current policy" baselines that assumed continuation of the tax cuts in the baseline past the expiration dates then in law.

Regardless of which baseline a particular analysis uses, it is important that there be a clear statement of what assumptions are made so that policymakers and stakeholders can accurately understand and analyze the differences between the baselines.

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9. The co-chairs of the President's Fiscal Commission laid out a broad framework for comprehensive tax reform in its December 2010 report. The framework – which was a critical component of their broader deficit reduction plan – was predicated on a belief that the current tax code is inefficient, unfair, overly complicated, and anti-competitive. Do you agree with that assessment? If so, what do you believe should be the guiding principles for any tax reform proposal? Given the nation's changing demographics, do you agree that one goal of any tax reform effort should be to raise additional revenue over the current system? If so, what total level of revenues (as a percentage of GDP) should a tax reform proposal aim to generate by 2023?

I agree that the current tax system is overly complex and ripe for reform, and there is broad bipartisan agreement on this point. While there are differing opinions on how best to reform the tax code, I believe that any reform must meet three goals: reduce the deficit, maintain progressivity, and simplify the tax code.

I believe that the Federal government must collect revenues sufficient to support the services the public expects us to provide in order to ensure our continued national security and general welfare. The Nation will face very different circumstances in the coming years than in previous decades. For example, the demographic profile of our population is changing. Baby boomers are retiring, and an increasingly large share of our population is becoming eligible for Social Security and Medicare. New revenues will be necessary to support the commitments already made to our seniors.

10. In February, the Congressional Budget Office released *The Budget and Economic Outlook: Fiscal Years 2103 to 2023*. On page 56, the report cites that relative to CBO's March 2010 baseline, CBO has revised its baseline of federal spending for Medicare and Medicaid downward through a series of technical revisions by a total of \$200 billion in just one year – 2020. That amounts to a reduction of roughly 15 percent since 2010. The Center on Budget and Policy Priorities similarly has found that relative to August 2010, CBO's projected spending on Medicare has fallen by more than \$500 billion over the 2011 to 2020 period. Clearly, this is good news. What do you think accounts for the significant decline in federal spending on Medicare and Medicaid, and what additional steps do you think Congress and the administration should consider taking to further address health spending at both the federal level and in the larger health care system over the near- and long-term?

The Affordable Care Act (ACA) took historic and significant steps towards putting our country back on a sustainable fiscal course while laying the foundation for a higher-quality, more efficient health care system. In its latest analysis, the Congressional Budget Office estimated that the ACA will reduce the deficit by more than \$100 billion over the first decade and by more than \$1 trillion in the second decade.

For Medicare, ACA reforms are contributing to reductions in per capita spending growth through Medicare Advantage plan payment modifications, adjustments to provider

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payment updates, and program integrity enhancements. Additionally, delivery system reforms authorized in the ACA are creating incentives to provide higher quality and cost-efficient care.

In Medicaid, States have been very effective at controlling costs. In 2012, total Medicaid per capita spending declined by almost 2 percent, and total per capita spending is projected to grow slower than per capita GDP over the next decade.

To further control health care costs and strengthen Medicare, Medicaid, and other health programs, I believe that it is important to ensure the ACA cost-saving measures are implemented. The Administration also proposed additional health savings policies that build on the ACA by eliminating excess payments and supporting reforms that boost the quality of care without shifting significant risks onto individuals, slashing benefits, or undermining the fundamental compact these programs represent to our Nation's seniors, people with disabilities, and low-income families.

If confirmed, I look forward to working with the Administration and Congress to continue to address the excessive growth in health care spending in order to further improve our Nation's long-term fiscal health.

11. In 2001, nondefense discretionary spending was equal to 3.4 percent of the economy. By 2023, CBO's baseline projects nondefense spending to equal 2.7 percent of GDP – which would be its lowest level in over 60 years and about 20 percent below the 2001 level. Nondefense discretionary spending funds many of the items critical to ensuring that America and its workforce remain leaders and innovators in the world economy: education, energy, science and technology, and infrastructure. It also funds the National Institutes of Health, Veterans' health care, federal response to natural disasters, local law enforcement, homeland security, and other key priorities. How concerned are you about the trend toward increasingly lower levels of funding for nondefense discretionary and, if confirmed, what steps might you take to ensure that adequate resources are provided to the key policies and programs in this category of spending?

I believe that the investments in education, energy, science, technology, and infrastructure funded by non-defense discretionary funding are vitally important for our Nation's future. Moreover, Americans count on that funding to support a wide variety of necessary public functions, such as law enforcement, homeland security, and small business technical assistance.

Discretionary funding (both defense and nondefense) represents approximately one-third of the Budget and has already been cut by more than \$1 trillion. While it is important to continue to look for smart reforms and common sense savings in our discretionary budget, it is not possible to address our long-term fiscal challenges by cutting discretionary funding alone. That is why it is crucial that Congress and the President work together to enact a bipartisan deficit reduction package that replaces the

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sequestration cuts with a more comprehensive and fair approach that includes new revenues, entitlement reforms and other savings.

Regardless of the outcome of those negotiations, if confirmed, I will take into account the importance of these priorities as I lead the formulation of the President's Budget.

12. Recently on its website, CBO posted a response it submitted to a question for the record it received following a Congressional hearing. The question concerned the sensitivity of budget projections to changes in interest rates. This is particularly important given that interest rates remain at historically low levels. The question asked what would happen if instead of CBO's current projections, interest rates rose to levels that matched:

- a. The average levels over the 1991-2000 period;
- b. The average levels over the 1981-1990 period; or
- c. A path consistent with the average of the 10 highest projections shown in the October 2012 and February 2013 release of the *Blue Chip Economic Indicators*.

For scenarios a. and c., CBO found the increase in interest costs relative to the baseline would add between \$1.1 trillion and \$1.4 trillion over 10 years, with additional costs in 2023 alone of between \$157 billion and \$274 billion. The additional interest expenses under option b. would be even (substantially) higher. These costs would be in addition to a baseline that already assumes total interest expenses of more than \$850 billion in 2023. How worried should Congress and the administration be about a sudden and unanticipated increase in interest rates, and what steps, if any, should policymakers take to protect against this risk?

Although interest rates are at historic lows and appear as if they will remain that way for the foreseeable future, it is important to start addressing our debt problem now. I believe that the best thing to do to address the risk of interest rate increases is to enact a bipartisan comprehensive deficit reduction package that will put our country on a sustainable fiscal path while continuing to strengthen the middle class and grow our economy.

13. The Congress has twice in recent years passed legislation that modified the *Federal Credit Reform Act of 1990*, specifying that the value of these credit transactions be estimated using an approach other than the traditional method of discounting cash flows using Treasury rates. In addition, in limited cases, the Congressional Budget Office has provided by request illustrative estimates to Congress for certain legislation substituting "fair value" estimates for those estimates prepared according to the *Federal Credit Reform Act of 1990*. There is considerable disagreement among budget experts as to whether the fair value method yields more accurate estimates of the costs to federal taxpayers of credit programs. In addition, switching more broadly to a fair value system of accounting

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for credit reform would raise concerns regarding how to develop accurate, transparent, and comparable estimates across federal programs, as well as how agencies would implement the new system, particularly given limited administrative resources. Given these concerns, should the *Federal Credit Reform Act of 1990* be revised to require estimates that reflect “fair value” or a similar method that accounts for “market risk”? Are there other changes that Congress should consider making to the federal credit reform process?

The Federal Credit Reform Act was in place for a few years while I was Deputy Director of OMB in the 1990s. My understanding is that implementation of the Act resulted in substantially better measurement of, and budgeting for, the upfront costs of credit commitments, and dramatically improved agency analysis of the factors that influence the performance of their loan portfolios. I am not familiar with the specifics of the alternatives offered by others, but I believe that any changes to the Act should improve the accuracy of cost estimates in a transparent manner, and help agencies understand key portfolio performance factors that influence the cost to Government. If confirmed, I am open to working with Congress to explore ways to improve cost estimates for Federal credit programs.

14. An area of focus for this committee is identifying programs and services across the government that are either outdated or that overlap with other programs and services. In recent years, OMB has identified some of these programs in its “Terminations, Reductions, and Savings” volume. GAO is similarly doing work in this area for Congress, and it was one focus of the recently enacted *GPRM Modernization Act of 2010*. What additional steps can the administration take to identify these programs and to help Congress assess and compare the performance of these programs? What specific program and policy areas do you believe offer the largest opportunities for consolidating programs in a way that maximizes effectiveness and efficiency?

Over the past four years, the President’s Budgets identified numerous areas where programs should be eliminated, consolidated, or reduced. Many of these areas overlap substantially with the areas of duplication or fragmentation identified by GAO, and GAO commended the Administration’s work in this area. Despite these achievements, I believe there is more progress to be made.

It is my understanding that OMB is working with Federal agencies to make better use of evidence and evaluation in program design, execution, and budgeting, and to strengthen performance by setting goals and finding more efficient ways to meet them. If confirmed, I will work with Congress, agencies, and GAO to identify areas for consolidation and see that those areas are addressed appropriately through the budgetary and legislative process.

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15. What do you see as the federal government's main management challenges and, if confirmed, what early steps would you take to begin addressing these challenges?

Improving government performance as Federal agencies manage in tight and uncertain budgetary times is a significant challenge facing the Federal Government. Federal agencies must continue to find better ways to serve the American people and identify innovative ways to manage resources to meet their missions. This means improving the overall productivity of the Federal workforce; preventing dollars from being lost to waste, fraud and abuse; stretching contract dollars and information technology investments even further; improving or eliminating underperforming programs; and, making the most of Federal facilities and other assets. If confirmed, I look forward to working with agency leaders, including the President's Management Council, as well as Members of Congress to achieve these improvements.

16. Like many federal agencies, OMB has had a number of key employees retire in recent years with more eligible to retire over the next several years. If confirmed, what steps will you take to ensure that OMB attracts and maintains a high quality workforce?

Members of OMB's staff have a tremendous reputation as the "go-to" folks in the Executive Branch because of their institutional knowledge and technical expertise. OMB is one of the smaller Federal agencies in the Government; however, it produces and processes a tremendous amount of information that is heavily relied upon by Congress, the Administration, the private sector, and state and local governments. If confirmed, I will work to ensure that OMB continues to attract, train, and retain a high quality workforce by allocating resources appropriately, focusing on staff development, further fostering diversity and inclusion, and ensuring work/life flexibilities are in place. It will be critically important to continue to build a pipeline of future leaders and ensure they have the necessary skills and abilities to lead the agency and serve the American people.

17. As with other federal agencies, the implementation of sequestration will have a large impact on funding for OMB for the remainder of 2013, including the furloughing of OMB employees. Reviewing and implementing the furlough system will be one of your earliest management challenges. If confirmed, what steps would you take to ensure that this process is transparent and fair for the OMB workforce? How would you ensure that OMB is able to continue to carry out its responsibilities in the midst of multiple furlough days? Finally, if the sequestration process continues into fiscal year 2014, what steps would you take between your confirmation and October 1st, to prepare the agency and its employees to continue performing at a high level in the midst of sustained, lower-than-anticipated funding?

If confirmed, I will work with OMB's management team to ensure furloughs are implemented in a fair, equitable, and transparent manner, and to ensure that staff needs

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are taken into account as OMB prioritizes those activities necessary to serve its core mission. In particular, I would take an agency-wide look at workload and staffing levels to ensure OMB has the right people in the right place to meet the needs of Congress and the President. Looking ahead to 2014, I would work with OMB's management team in continuing to identify OMB's key priorities and ensure resources are properly allocated to address those priorities without experiencing any reduction in quality. When I previously served as Deputy Director, one of the things I admired about OMB staff was their continued commitment to serve as stewards of the Government regardless of turbulent times or difficulty in the assignment.

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 4/2/2013

1. The Senate recently passed a budget resolution. I may ask you about this budget at your confirmation hearing. For now, please answer the following regarding this budget:

- a. Compared to current law, excluding expected war costs and the extrapolation of Hurricane Sandy emergency relief, what is the amount of deficit reduction achieved over ten years?

My understanding is that OMB does not officially score congressional budget resolutions. According to the Senate Budget Committee, the resolution achieves \$1.85 trillion in deficit reduction over ten years.

- b. Is this a balanced budget?

The Senate Budget resolution does not come to balance within the ten year budget window, but it does put us on a sustainable fiscal path. The Senate Budget proposes \$1.85 trillion in deficit reduction which, when combined with the \$2.5 trillion already enacted (not counting sequestration), would achieve more than \$4 trillion in deficit reduction relative to the policies in place on January 2011 and put debt as a share of the economy on a declining path.

- c. Should we have a goal of balancing the budget?

Our priority goal should be strengthening the economic recovery and putting more Americans back to work. Doing so will also help to address our fiscal issues. My experience during the Clinton Administration showed that the best way to achieve a budget surplus is to have a strong economy with full employment and a thriving middle class.

In the near term, we need to focus our efforts on getting the economy back to where it needs to be, which includes making targeted investments that will spur further job growth and economic recovery, comprehensive deficit reduction, and movement away from a crisis-based approach to budgets. By growing the economy, and at the same time working with members on both sides of the aisle to find comprehensive, sensible ways to reduce our deficit, we can put the country on a sustainable fiscal trajectory.

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2. Please supplement the documents you provided the Committee by providing a copy of any formal (prepared) speeches you presented over the last 5 years, even if they are unrelated to the position for which you have been nominated.

I have done my best to identify and provide copies of formal, prepared speeches, which are attached.

3. In your nomination documents, you identify a number of organizations you (a) were involved in founding or (b) serve as a director or advisor or (c) otherwise assist. Please provide a detailed explanation regarding your involvement in the organizations listed below, including but not limited to, how you were introduced to them, your involvement in developing public policy initiatives, whether you reviewed/approved publications or other documents released by the organization, and whether there were any public policies that were developed that you personally disagreed with.

- a. Council on Foreign Relations
- b. Peter G Peterson Foundation
- c. Center for Strategic and International Studies
- d. The Next Generation Initiative

- a. Council on Foreign Relations – The Council on Foreign Relations invited me to join as a term member in 2002, and I am currently a Director. The Board of Directors nominated me to the position of Director. I am not responsible for developing public policy positions or reviewing/approving publications or documents released by the organization.
- b. Peter G Peterson Foundation – Pete Peterson invited me to join the Foundation's Advisory Board. I am not responsible for developing public policy initiatives or reviewing/approving publications.
- c. Center for Strategic and International Studies – The Center for Strategic and International Studies invited me to participate on the Commission on Smart Power because of my experience in development. The bipartisan Commission produced a 2006 report that laid out the commission's findings and recommendations for how to implement a smart power strategy.
- d. The Next Generation Initiative – As a Greek-American, I was invited to join the organization as a Founding Member. This organization does not develop public policy initiatives.

There are many public policy papers developed by the Council on Foreign Relations, the Peter G. Peterson Foundation, and the Center for Strategic and International Studies. I have not been involved in the drafting of these papers, nor have I personally reviewed all of them (with the exception of the aforementioned paper).

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4. You contributed to Washington United. Please explain the purpose of this organization.

Washington United is a coalition that supports civil marriage for same-sex couples.

5. In your nomination documents, you identify a number of instances where your taxes were not properly filed. Please provide a detailed explanation regarding the tax issue involving a domestic employee and the other four occasions where you failed to properly file or adhere to tax laws.

[REDACTED]

6. In 1993 President Clinton raised taxes. He later admitted that those taxes were too high. The economy remained stagnate for most of his first Administration. In 1995, while you were at the Department of the Treasury, there was a shift in tax policy and the President agreed to reduce taxes. This created a boom in the economy. Would you agree with this characterization?

The Deficit Reduction Act of 1993 laid the groundwork for a healthy economy, and many of the benefits of that policy were realized during President Clinton's first term. Real GDP growth averaged around 3 percent during President Clinton's first term, and unemployment fell from 7.3 percent in January of 1993 to 5.3 percent in January of 1997.

I believe most observers would attribute the boom in the late 1990s to a combination of prudent fiscal policies (both revenue increases and spending cuts) and information technology-led growth in the private sector, rather than the relatively minor reductions in some tax rates that occurred after 1995.

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7. You have written, referring to the Clinton Administration, “It was the start of the nation's best economic performance and job creation of my lifetime.” Please explain what policies of the Clinton Administration you believe lead to the nation’s best economic performance and job creation and your plans, if confirmed to help reproduce those results.

President Clinton and Congress took some significant measures to reduce spending and increase revenue back in 1993. It was done in a way that was meant to be fair and that avoided imposing a burden on ordinary working Americans where possible. During my time at OMB, there was a sustained bipartisan commitment to fiscal discipline. I believe that the same commitment exists in both parties today, even though we obviously disagree about some of the specifics.

I think one key point to understand as we move forward is that there is no single policy that will solve this problem for us. Getting there is going to take concerted effort and a willingness to compromise.

If confirmed, I look forward to engaging in a dialogue with Congress and working with members on both sides of the aisle to find comprehensive, sensible ways to reduce our deficit while continuing to grow our economy.

8. Do you believe that entitlement reform is necessary for a healthy economy? If so, what kind of entitlement reform would you propose?

Addressing rising health care costs is necessary in order to improve our nation’s long-term fiscal health. I understand that the reforms implemented by the Affordable Care Act (ACA) made substantial progress in restraining health care spending growth. In addition, the President’s 2013 Budget proposed additional measures that would better align payments with costs, encourage high-quality and efficient care in Medicare and Medicaid, strengthen program integrity, and put in place other health program improvements. Most recently, the President’s compromise “fiscal cliff” offer included \$400 billion in savings from government healthcare programs. The President has also expressed willingness, as part of a larger package of reforms, to consider alternative approaches to indexing Social Security benefits and other measures while providing protections for the most vulnerable, including elderly Social Security beneficiaries and enrollees in the SSI program. If confirmed, I look forward to working with Congress on finding comprehensive, sensible ways to reduce our deficit while continuing to grow our economy.

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9. Please identify any programs or spending within the federal government that you believe represent waste, fraud or abuse or that should otherwise be eliminated. What ideas do you have to identify waste, fraud and abuse?

I share the President's and Congress's commitment to identifying and rooting out waste, fraud, and abuse wherever it may exist across the Federal Government. It is my understanding that each year the President's Budget includes a detailed list of programs proposed for cuts, consolidations, and savings, representing hundreds of programs and billions of dollars in savings. Identifying areas to cut or consolidate is an essential part of budgeting. It is critical that OMB use rigorous data and evaluations to determine where programs are not performing optimally and that it makes budgetary decisions based on that evidence. If confirmed, I look forward to working with Congress in this important area.

10. The Government Performance and Results Modernization Act directs agencies and OMB to consult with Congress when setting performance goals. However, most congressional committees report that they have not been consulted as part of this process. What efforts will you take to include Congressional committees when setting performance goals?

Based on my experience, consultation with key stakeholders is essential for any organization when establishing performance goals. Such consultations provide important input on needs, priorities, strategies, and tradeoffs. For Federal agencies and OMB, there is no more important stakeholder than Congress, and regular engagement with Congress should be a critical part of OMB and agency goal-setting efforts.

My understanding is that the GPRA Modernization Act recognizes the value of consultation by requiring agencies and OMB to reach out to Congress when setting Priority Goals, and that OMB guidance encourages agencies to engage in robust congressional consultations during goal setting while also recognizing that each agency's relationship with Congress is unique and that consultation must be customized accordingly.

If confirmed, I would encourage agency leaders to reach out to their congressional committees to discuss the performance goals they are considering. I would also work with the members of the Committee to determine how we can work together to make consultation on performance goals, including the Cross-Agency Priority Goals, more meaningful and useful both for Congress and the Administration.

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11. The *Washington Post* reported that through the SAVE program, the administration has received approximately 86,000 recommendations, from federal employees on ways to reduce costs and save money. Yet of these 86,000 recommendations, only 67 have been acted on. Of the 67 acted on, most have not been implemented. What steps will you take to ensure the Administration seriously considers and follows through on the recommendations of federal employees on how to save money?

My understanding is that the goal of the President's SAVE Award initiative is to engage frontline Federal employees and use their knowledge and insight to find new ways to make the Government more efficient and effective. If confirmed, I will look into the SAVE Award initiative and how the program can further contribute to the Administration's efforts to improve Government and save money for American taxpayers.

12. Please submit form 990s of the Wal-Mart Foundation for the last 5 years.

As discussed with Committee staff, enclosed are the 990s of the Wal-Mart Foundation for 2011 and 2010 both of which were not during my tenure. While the 2012 990 has not been filed, in national granting, it is anticipated that the 990 will reflect more focused and prioritized grant making against fewer priorities.

Senator Sessions

During your hearing, several members asked you about government trust funds such as the Social Security Trust Fund, and the Medicare Trust Fund; in particular, the concept that money that goes into these trust funds, is then spent on other things. I referenced the double counting of Medicare savings that were then used to pay for the new healthcare entitlement, which CBO confirmed.

- If a governmental trust fund is running cash deficits, as is the case for Social Security and Medicare, and they must use their trust fund balance to meet obligations, what funding source does the Treasury Department, the issuer of the bond, use to pay off the debt?
- When the Social Security trust fund redeems a Treasury bond, and the General Fund is running a deficit, does the Treasury Department have to borrow to meet its obligation on that bond?
- As government trust funds run cash deficits, and begin redeeming Treasury bonds, if the general fund is running a deficit, and the Treasury Department must borrow on the open market, does the intergovernmental debt (between the trust fund and the General Fund) become public debt?

When trust fund holdings are redeemed to fund the payment of benefits, the Treasury Department finances those benefits out of current revenues, or from borrowing. If the overall budget is in deficit when trust fund balances are redeemed to pay benefits then the net effect of paying those benefits is to reduce trust fund debt and increase debt held by the public.

The more important question is what path debt held by the public is on during that period. As the baby boom generation moves into retirement, it is particularly important to put debt held by the public on a declining path relative to the economy while supporting our commitments to Social Security and Medicare recipients.

Senator Sessions

In general, government trust funds have dedicated funding sources. For example: payroll taxes fund the Social Security and Medicare trust funds; federal gas taxes fund the Highway Trust Fund; and premiums on private pensions fund the Pension Benefit Guarantee Corporation Fund.

Many trust funds are currently in cash deficit, and projected to be insolvent within 50 years. The Medicare Trust Fund for example will go bankrupt in the next budget window.

- **Are these insolvencies generally caused by a mismatch between benefits and revenues over the long run?**
- **In general, are trust funds funded by corporate or individual general taxes?**
- **If individual marginal tax rates, or corporate taxes were, raised, or benefits in the tax code eliminated, would these funds still remain insolvent in the long run?**

Trust funds are a mechanism for balancing dedicated income and spending. By definition, trust fund solvency issues arise when income (including interest on past surpluses) is insufficient to support trust fund spending.

In general, trust funds are funded by a mix of dedicated receipts from the public (usually payroll or excise taxes), transfers from the general fund, and interest income. Increases in taxes or reductions in tax expenditures that do not affect the specific sources of revenue that are dedicated to trust funds would not affect projections of trust fund solvency. However, increases in revenue outside of trust funds do reduce overall deficits and accelerate reduction in debt held by the public, so in that sense such increases could strengthen the Government's fiscal position and its ability to make good on the commitments of the trust funds.

Senator Sessions

Federal law limits the amount a private pension fund can invest in the company that sponsors the fund to ten percent. This is because, prior to government regulation of private pensions, many companies would invest most of their pension fund in their own stocks or bonds, and then spent the "saved" money. It was an accounting gimmick that the federal government stopped because too many people were not getting their pensions, because the companies never saved the money.

- **What percentage of U.S. government securities, is the Social Security Trust Fund limited to holding as a percentage of their total investments? What about Medicare? What about PBGC?**
- **If the Social Security Trust Fund was limited to only holding ten percent of its surplus in U.S. government securities, as private pensions are, and the remainder had to be invested in other securities, would the last two budgets submitted by President Clinton have balanced?**

The Social Security and Medicare trust funds are limited by law to investing in U.S. Government securities. These are the safest investments available to ensure that these trust fund balances are available for future benefits. While there have been proposals over the years to invest a portion of the trust funds in private securities, moving forward on such proposals would require addressing the question of how those private investments are selected. It is also important to note that this would introduce increased risk and volatility in the trust funds.

Unlike Social Security and Medicare, it is my understanding that the PBGC does hold a portion of its assets in private securities. This part of the PBGC's holdings comes from the assets of the employer plans that the PBGC has taken over, and is not included in the budget.

On your final question about the last two budgets submitted by President Clinton, both of those budgets showed a unified budget surplus in the budget year. The FY 2000 budget showed a small on-budget deficit and the FY 2001 budget showed an on-budget surplus.

Senator Sessions

Some have argued balance is too hard a goal to reach. That instead we need to aim for stabilizing our debt as a percentage of GDP. This would rely on the revenue from continued economic growth to pay for our deficits.

Carmen Reinhart and Ken Rogoff state in their book, *This Time Is Different*, that "countries typically do not grow out of their debt burden, providing yet another reason to be skeptical of overly sanguine standard sustainability calculations ... "

- Would you agree that stabilizing the debt is not a responsible way to deal with our debt burden?
- Will you commit to the goal of balancing the budget?

I agree that it is important to not just stabilize debt as a percentage of GDP, but to start bringing it down. If confirmed, my priority would be to keep the economy on the right track and get Americans working again. Putting the Federal Government on a sustainable fiscal path by reducing debt as a percentage of GDP, while still making critical investments in areas such as education and infrastructure, will help the economy grow in the long-run and avoid the risks economists such as Reinhart and Rogoff warned about. Lowering debt as a percentage of GDP over time is a more appropriate goal than focusing on balancing a budget in a particular year. This approach is consistent with the recommendations of independent, bipartisan deficit reduction groups, like Simpson-Bowles and Domenici-Rivlin.

Senator Sessions

A number of economists recently published important studies on how rapidly increasing national debt affects key economic metrics, from GDP to inflation and interest rates. These studies, which examine economic and financial responses to debt across countries, prefer to use gross central government debt (total government debt) rather than net or publicly held debt, largely because gross debt is available for most developed and developing economies and is less subject to political manipulation. However, you testified today that net or public debt was the better debt concept to use for these same purposes. Please explain how your reasoning and research differs from the leading studies on this subject.

a. You mentioned that in Reinhart and Rogoff's book, *This Time is Different*, they used public debt as it was the most appropriate way to compare across countries. However, throughout the book they use "Total Public Debt," to make comparisons. In Box 1.1 on page 9, they give the following definition of Total Public Debt: "The total debt liabilities of a government, with both domestic and foreign creditors. The 'government' normally comprises the central administration, provincial governments, federal governments, and all other entities that borrow with an explicit governmental guarantee." [emphasis added] Would you agree that while they use the term "public," the definition in the book shows they are referring to gross debt?

I agree with the main lesson of these studies, which is that reducing debt as a share of the economy is the appropriate goal for our fiscal policy. While researchers might sometimes choose gross debt because it is more widely available for other countries, I believe that debt held by the public is the best measure for the United States because it represents the amount that the U.S. must finance through credit markets.

In the citation of *This Time is Different*, the word "total" seems intended to encompass the debt of provincial governments (in the case of the United States, State governments) and other Governmental entities that borrow with a Government guarantee. The issue of whether or not to include State debt is separate from the question of whether gross debt or debt held by the public is the best measure of Federal debt.

Senator Sessions

Research by Frederic Mishkin, former Member of the Federal Reserve Board of Governors and his colleagues tested the question, which of the two debt concepts, gross or net, is the better predictor of economic and financial responses to changes in debt levels. They found that gross debt performed significantly better. Given the OMB Director's responsibility to oversee the preparation of a budget that is based on the likely effects of economic activity on key budget drivers, and that all of the authors below suggest that gross debt levels above 80 percent of GDP likely contribute to slowing down income and economic activity and to raising interest rates (three very key budget drivers); what will you do as OMB Director to include this research in the preparation of future federal budgets?

If confirmed, I would work to ensure that OMB continues to take advantage of the best economic research and data available as it prepares the President's Budget. Frederic Mishkin's paper acknowledges that net debt and gross debt each have advantages and disadvantages when comparing government debt across countries. When analyzing the impact of U.S. Government debt on the American economy, however, I believe net debt is more appropriate. The Congressional Budget Office agrees. It has stated that gross debt "is not useful for assessing how the Treasury's operations affect the economy." That being said, there is nearly universal agreement that we need to bring debt down as a percentage of GDP.

Senator Sessions

Section 515 of the Treasury and General Government Appropriations Act directs the Office of Management and Budget (OMB) to issue government-wide guidelines that "provide policy and procedural guidance to Federal agencies for ensuring and maximizing the quality, objectivity, utility, and integrity of information (including statistical information) disseminated by Federal agencies." Simply stated, federal agencies ought to provide honest and credible information to the American people.

Should the information released by OMB meet this standard?

I understand that OMB's Government-Wide Information Quality Guidelines are intended to ensure and maximize the quality of information disseminated by the Federal Government. Consistent with these Government-wide guidelines, OMB developed agency specific guidance applicable to its own disseminations. This guidance can be found at:
http://www.whitehouse.gov/omb/info_quality_iqg_oct2002/.

Senator Sessions

In pre-hearing questions, I asked you: "Compared to current law, excluding expected war costs and the extrapolation of Hurricane Sandy emergency relief, what is the amount of deficit reduction achieved over ten years?"

You responded that according to the Senate Budget Committee the amount of deficit reduction is \$1.85 trillion over ten years. This is false. At the most, this budget would have \$300 billion in deficit reduction. In an exchange I had with Senator Murray's staff, after the budget was presented, staff conceded this point.

I asked Mr. John Righter: "Can you honestly say that under this budget you can achieve \$1.85 trillion in deficit reduction and eliminate the sequester with only [\$975 billion] in new taxes?"

Mr. Righter responded: "No."

Knowing this, do you wish to correct your answer?

The amount of deficit reduction contained in the Senate Budget resolution is measured off of a "current policy" baseline – a construct used by Congress, the Administration, and outside independent groups to demonstrate the fiscal challenges we face based on policies currently in place. The \$1.85 trillion in deficit reduction was measured relative to their current policy baseline that does not include sequestration.

In its Budget documents, the Administration is consistent in measuring deficit reduction in terms of what has been achieved since January 2011. Since that time, the President and Congress have worked together to achieve \$2.5 trillion in deficit reduction. That total, however, does not include the \$1.2 trillion in savings from sequestration. My understanding is that the Administration has not included sequestration in its calculations of achieved deficit reduction because both parties agree that those cuts were never intended to become law and should be replaced. The Senate Budget Committee's \$1.85 trillion in deficit reduction are consistent with that approach. Importantly, the Senate Budget resolution reduces debt as a percentage of GDP, which is what is important for our country's long-term fiscal health.

Senator Sessions

Regarding the Senate Budget, Senator Mark Begich said the budget did not do enough to reduce the country's deficit.

"While I am happy that Congress is finally talking seriously about our fiscal crisis, this budget didn't go far enough.

"Alaskans expect us to finish the job and make this staggering deficit manageable. Passing this problem off to our children is not an option. We got ourselves into this mess and have a responsibility to get ourselves out.

"We can either make the tough choices now or face an even tougher road ahead."

Senator Kay Hagan said that we need a budget that balances.

"Our country needs a long-term deficit reduction plan that is balanced and bipartisan, and we must work to balance the budget. I will keep working with my colleagues to get our fiscal house in order while keeping our commitment to seniors and students, to veterans and active duty service members, and to all of North Carolina's middle class families."

Senator Mark Pryor characterized the budget as taking an unbalanced approach.

"This budget fails to strike the right balance between cutting our spending and setting up a path for future job creation and economic growth."

"Instead of one-party solutions, we should work together to find a balanced approach that will benefit our economy, seniors, and middle class families."

In response to a pre-hearing question, you stated that the Senate Budget Resolution "puts us on a sustainable fiscal path."

Since there are obvious differences regarding what "balance" and "sustainable" mean, please state how you define them. After defining the terms, please state whether a budget that would add more than \$7 trillion in debt is sustainable and whether a budget that adds to the deficit every year is balanced.

In this context, I use "balanced" to describe a deficit reduction package that included both spending cuts and additional revenue. The term can also be used to refer to a budget that, in a particular year, provides for revenues that at least equal outlays. In this context, I use the term "sustainable" to refer to a budget path that improves the Nation's fiscal condition over time. In my opinion, both the Senate budget resolution and the President's Budget are balanced and sustainable. Each contains packages of targeted and balanced deficit reduction that will put the debt-to-GDP ratio on a downward trajectory, while still making the critical investments in areas such as education and infrastructure that are necessary to grow the economy in the long term.

Senator Wyden

Ms. Burwell, As our nation continues to deal with shrinking budgets and growing demand for services, we have a major task ahead of us to find ways to invest scarce federal resources more efficiently and more effectively in evidence-based, results-driven solutions.

In the Senate Budget Committee mark-up, Senator Stabenow and I were successful in having an amendment designed to help invest our tax dollars more efficiently and effectively adopted unanimously. We borrowed a page from the Bowles/Simpson report -- which makes it clear that the government needs to identify ways to -- and I quote -- "shift from inefficient, unproductive spending to productive results-based investment." What this really means is directing our focus to programs that produce results. So our amendment added a provision encouraging the use of performance data and scientifically rigorous evaluation methodologies to guide our spending and program choices and to ensure that we are investing in what works.

1. First, as evidenced-based grant-making is quite common in the philanthropic community, based on your significant experience in that sector, I would expect you're very familiar with the concept. Assuming you are, what experience, either direct or indirect, have you had with the use of performance data and scientifically rigorous evaluation as a component of the resource allocation decision process? Based on that experience, do you believe there is merit to the idea of expanding their use in Federal budget decision-making?

2. If confirmed, what steps would you take to expand the use of evidence-based budgeting across Federal programs to ensure that government is investing in what works, achieving the greatest returns on those investments and better positioned to identify programs in need of consolidation, reform or elimination?

Many grant-making organizations tie grants to measurable outcomes, including both the Bill and Melinda Gates Foundation and the WalMart Foundation. This is increasingly a standard practice to drive resource decisions. I have direct experience using performance data and evaluation at both foundations.

In both the philanthropic sector and in Government, programs use a range of analytical and management tools, including rigorous evaluation and performance management. In doing so, they create a culture of continuous feedback and improvement that keeps asking, "How can we do things better?" and uses data to drive decision making. Our goal should be to increase cost-effectiveness and return on investment across Government programs by harnessing data and evidence to improve results and efficiency.

The same principles are certainly applicable for Federal decisions on resource allocation, working within legal program constraints. In fact, the President's FY14 Budget emphasizes the importance of data and evidence for doing more with less, not only to reduce budget deficits, but also to build confidence that Americans are receiving maximum value for their hard-earned tax dollars. Some examples of steps that I would work to advance in Government include adopting more evidence-based structures for grant programs, building evaluation agencies, making better

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use of data within Government agencies, and developing tools to better communicate what works. With all Federal programs under increasing pressure to maximize benefits to the taxpayers, the extension of an evidence-based approach to more programs and decisions would be in everyone's interest, and would certainly be a priority for me.

Senator Portman

The Office of Management and Budget plays a key role in working with Departments and agencies to finalize federal loan guarantees, particularly in the determination of credit subsidy costs to protect the taxpayer. One particular loan guarantee application, for the American Centrifuge enrichment plant, an update of which is expected to be submitted to the Department of Energy later this year, involves a technology capability that supports vital national security and nonproliferation objectives that the Administration has identified and that Congress has endorsed. As that loan guarantee application is reviewed by DOE and OMB, can we obtain your assurance that these key attributes will be considered as part of a prompt review of the loan guarantee and credit subsidy cost?

Because I am not yet at OMB, I am not familiar with the specifics of pending or future loan guarantee applications. However, I will assure you that if confirmed, I would execute my statutory duties under the Federal Credit Reform Act with due diligence.

Senator Crapo

The nonpartisan Medicare actuaries state that the Medicare Trust Fund will be insolvent in 2024 if we do not enact substantive reforms now. The 10-year budget that the President released this morning goes through 2023. That means, if Congress and the Administration do not work together this year to enact substantive, structural reforms to Medicare, then, if you are confirmed, you will be back here before this committee next year defending a budget that, for the first time in history, actually shows Medicare going insolvent in the President's budget.

My question to you, regardless of discussions on broader debt and deficit issues, and regardless of how things may play out on taxes or discretionary spending, or any other element of the budget, are you and the President fully committed to taking the necessary steps this year to ensure that the budget that he sends up here next year for you to defend will not be the first budget in history to show Medicare going insolvent within the budget window?

I understand that the President's FY 2014 Budget demonstrates the Administration's commitment to strengthening Medicare. It proposes roughly \$370 billion in specified savings over 10 years. These proposals encourage high-quality efficient care, recoup excessive payments to drug manufacturers, improve beneficiary incentives to consider the value of services they consume, and gradually phase in changes in beneficiary responsibilities. The proposals in the Budget are projected to extend the solvency of the Hospital Insurance Trust Fund by approximately four years, which means insolvency would not occur until beyond the Budget window. Additionally, the Administration has and will continue to take a number of administrative actions to crack down on Medicare fraud, promote delivery system innovation, and promote efficiency and quality. If confirmed, as part of a balanced deficit reduction package, I look forward to working with Congress to strengthen Medicare in a way that avoids shifting significant risks onto individuals or undermining the fundamental compact this program represents for seniors and people with disabilities.

Senator Crapo

It's unfortunate that the President was unwilling to send his budget to Congress at the time the law requires him to do so, in order that we would be able to discuss the specifics of the President's budget with you today. But based on past history, we know some of the kind of gimmicks that are traditionally found in Presidential and Congressional budgets. As a former high-level official at OMB and Treasury, you are probably familiar with them too. I would like to discuss some of them with you to get your views about whether or not they are appropriate things to put in a budget.

As you are likely aware, the Victims of Crime Act created a separate fund, not made up of taxpayer dollars, but funded through fines, forfeitures and penalties that the courts order criminals to pay. These funds then go toward many vital victim assistance programs. As a lead sponsor of the Violence Against Women Act reauthorization, I can tell you how important these victim assistance funds are to abused women and children, and all victims of crime. Unfortunately, over the years, the Administration and Congress have turned this into a gimmick by setting aside a certain portion of the VOCA funds each year for victim assistance, and then claiming that the balance remaining in the fund, which should be held over for victim assistance programs in future years, is instead available to be spent by the President and Congress on other federal spending programs totally unrelated to victim assistance.

A few weeks ago, when this committee marked-up the Senate budget, this committee approved, with unanimous bipartisan support, my amendment to prevent the President and Congress from further using any money in the Crime Victims Fund for any purpose other than assisting crime victims. Can I have your assurance that, if confirmed, no budget that the President submits, and no spending bill that the President signs, will reflect the spending of crime victims funds on anything other than assistance to crime victims?

Congress has enacted obligation delays for the Crime Victims Fund every year since 2000 to ensure a steady source of funding for crime victims programs. I understand that the President's 2014 Budget proposes raising the spending cap to \$800 million. It is my understanding that the Administration's proposal provides for an orderly increase in assistance while deferring unnecessary spending. If confirmed, I would look into this issue and take your concerns into consideration.

Senator Crapo

Again, given your experience with OMB and Treasury, you have also seen many federal budgets come and go. A concern I have continued to repeat many times is that nobody ever wants to make the tough, but necessary choices in their budget. We always see budgets that show all of the pain in the out years, but none in the first year. The problem is, and I've now been on the Budget Committee for 10 years, is that we never seem to get to Year 2 of a budget. We'll put all of the pain in the current budget into the out years. But then when we get to next year, rather than starting to get into some of the pain proscribed in this year's budget, we'll just write a whole new budget that again pushes all of the pain into the out years.

But the fact is that we have a debt of more than \$16 trillion. We have a Medicare program that will be insolvent just one year beyond the current budget window. And we have a Social Security Disability Insurance program that will be insolvent before President Obama leaves office. That means we need to start making some tough choices right now. Do you agree with me that, given our current circumstances, any budget we see, in Congress or from the President, must begin reducing the deficit in Year 1 of that budget, rather than pushing all of the tough choices into the out years, which we will never get to?

Reducing the deficit will require Congress and the Administration to work together to address our fiscal challenges while supporting our nation's economic recovery. If confirmed, I look forward to engaging in a dialogue with Congress and working with members of both parties on a comprehensive deficit reduction package that puts our country on a sustainable fiscal path while continuing to grow the economy and strengthen the middle class.

Senator Enzi

One of the most positive elements of the US economy is the development of American oil and natural gas. Its success positions America to be more secure in its energy supply than it has for many decades. Yet, once again the Administration has proposed new rules that will stifle its development and use. What's more, the economic analysis used for this rule is strikingly inadequate. For its proposed hydraulic fracturing rule, BLM estimated a total cost of only \$37 million to \$44 million annually. Industry estimates well over \$100 million annually in new costs for industry to comply with the proposed rule. A recent study estimates the rule could cost industry \$370 million a year. This is a substantial discrepancy. What are OMB's criteria for identifying discrepancies in cost analyses? After a cost discrepancy of this magnitude is identified, how does OMB reconcile the delta?

When there is a discrepancy in the economic analysis, do you believe there should be a third party or additional analysis provided to the public to ensure that these rules are not killing jobs in a time of economic downturn? I believe that states are the best positioned to regulate hydraulic fracturing. Should the BLM decide to proceed to a final rule, would you be willing to commit OMB to conduct its own independent cost-benefit analysis of the final rule prior to approval of that rule?

I am not familiar with the details of this rulemaking, but I understand that the Bureau of Land Management has submitted a new draft proposal of the hydraulic fracturing rule to OMB for review. Any regulation should be developed in accordance with the President's regulatory executive orders, and any corresponding regulatory analyses should be prepared in accordance with the guidance set forth in OMB Circular A-4. In addition, agencies should consider public comments submitted on proposed rules, including comments on the supporting impact analyses.

Senator Enzi

- A. One of the main reasons that the Department of Labor's (DOL) 2010 proposed regulation regarding the definition of who constitutes a "fiduciary" for purposes of providing investment advice to retirement plans (such as 401 (k) plans) and individual retirement accounts (IRAs) had to be withdrawn was that the economic analysis of the proposed regulation, which OMB approved, was clearly deficient. For example, even though the proposal applied to IRAs, there was no economic analysis at all of the effect on IRAs, yet OMB still approved the proposed regulation. I would like to know what steps you would take to prevent that from happening again.**

I am not familiar with the details of the economic analysis for this particular rule. If confirmed, I would work to ensure that regulations reviewed by OMB are issued in accordance with the President's regulatory executive orders, and that regulatory analyses are prepared in accordance with the guidance set forth in OMB Circular A-4.

- B. There were very disturbing reports, including one widely publicized study, that concluded that the effect of the 2010 proposal would be to cut off many small investors from access to an investment professional and result in far less retirement savings. Again there was nothing in the DOL's economic analysis on this issue, but OMB still approved the proposal. What steps will you take to ensure this issue will be evaluated with respect to the new proposal that is anticipated to be issued this summer?**

If confirmed, I would ensure that OMB thoroughly reviews any such proposal before it is issued. That would entail working to ensure that any such regulation is developed in accordance with the President's regulatory executive orders, and that any corresponding regulatory analyses are prepared in accordance with the guidance set forth in OMB Circular A-4.

- C. A key responsibility for OMB is to ensure that the rulemaking process is coordinated across agencies. The Dodd-Frank Act specifically directed the Securities and Exchange Commission (SEC) to examine the effect of subjecting broker-dealers to the fiduciary rules that currently apply to investment advisers and authorized the SEC to issue regulations to that effect. The SEC staff study in response to that Congressional direction recommended that broker-dealers be subjected to a fiduciary standard of care under the securities laws. Yet, the Labor Department has sought to finalize its own closely interrelated fiduciary regulation before it even knows how the SEC will proceed. Moreover, the SEC and the Department have made it clear that their rules will not be uniform, so that an investor seeking help with a regular retail brokerage account and an IRA will be subject to two entirely different rules, one governing help on the retail account and one governing help on the IRA. That makes little sense, especially in light of the fact that one of the bases for Congress' direction to the SEC and for the SEC's actions is that having multiple rules governing advisors is confusing to investors. Shouldn't there be a greater effort to coordinate and harmonize the two efforts? In OMB's role as the coordinator of the Administration's regulatory policy, what steps will**

you take to ensure that these two agencies are not pursuing separate agendas that are clearly not coordinated?

I am not familiar with the specifics of this rulemaking. As a general matter, I understand that the President in Executive Order 13563 emphasized the importance of coordinating and harmonizing rules. I also recognize that the Securities and Exchange Commission (SEC) is an independent agency. If confirmed, I would continue to look for ways to coordinate and harmonize rulemakings as appropriate.

- D. The SEC seems to be working on a different schedule than the DOL. This will likely mean that the investment brokerage community will have to be restructured twice in the course of a few years - once to conform to the DOL rules and a second time to conform to the SEC rules. Do you believe this is problematic? Would you anticipate that would cause large costs that investors will eventually have to bear? What steps would you take to prevent this clearly inappropriate result that again reflects no coordination between the agencies?**

Please see response to C above.

- E. The DOL's uncertainty about the effect of its proposed fiduciary regulation, and the widespread view that the rule will produce major disruption, is inconsistent with the goals of Administration requirements that regulations should be cost-effective and consistent with the goals of promoting competitiveness and job creation. How would you direct the DOL to proceed in accordance with these requirements?**

I am not familiar with the details of this rulemaking. However, I support the principles behind Executive Order 13563, which state, among other things, that whenever agencies issue new regulations, they should ensure that the benefits justify the costs, consider public participation, and adopt flexible approaches to rulemaking.

Senator King

I am concerned about the possibility of conflicting fiduciary regulations being issued this year by the Department of Labor (DOL) and the Securities and Exchange Commission (SEC). The Dodd-Frank Act directed the SEC to examine the effect of subjecting broker-dealers to the fiduciary rules that currently apply to investment advisers and authorized the SEC to issue regulations to that effect. The SEC staff study in response to that Congressional direction recommended that broker-dealers be subjected to a fiduciary standard of care under the securities laws. The Labor Department has sought to finalize its own fiduciary regulation, which will be substantially different from the SEC's fiduciary regulation. Do you think that there should be a greater effort by the OMB to coordinate and harmonize the two efforts? In OMB's role as the coordinator of the Administration's regulatory policy, what steps will you take to ensure that these two agencies are not pursuing separate agendas?

I am not familiar with the specifics of this rulemaking. As a general matter, I understand that the President in Executive Order 13563 emphasized the importance of coordinating and harmonizing rules. I also recognize that the Securities and Exchange Commission (SEC) is an independent agency. If confirmed, I would continue to look for ways to coordinate and harmonize rulemakings as appropriate.

Senator King

The uncertainty surrounding the effect of the Labor Department's proposed fiduciary regulation, coupled with the view from the financial-services industry that the rule will produce major disruption, seem inconsistent with the objectives of Administration requirements that regulations should be cost-effective and consistent with the goals of promoting competitiveness and job creation. How would you direct the Labor Department to proceed in accordance with these requirements?

I am not familiar with the specifics of this rulemaking. However, I support the principles behind Executive Order 13563, which state, among other things, that whenever agencies issue new regulations, they should ensure that the benefits justify the costs, consider public participation, and adopt flexible approaches to rulemaking.